

Nation's Business

A USEFUL LOOK AHEAD

JUNE 1965

**GOVERNORS FIGHT
RIGHT-TO-WORK REPEAL**
PAGE 31

INTRODUCING A NEW SERIES:

LESSONS OF LEADERSHIP

WORDS OF WISDOM FROM
BUSINESS STATESMEN

PAGE 34

Where free enterprise is
building a new frontier **PAGE 40**

Test your creativity **PAGE 80**

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Nation's Business

June 1965 Vol. 53 No. 6

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4,500,000 companies and professional and business men
Washington, D.C.

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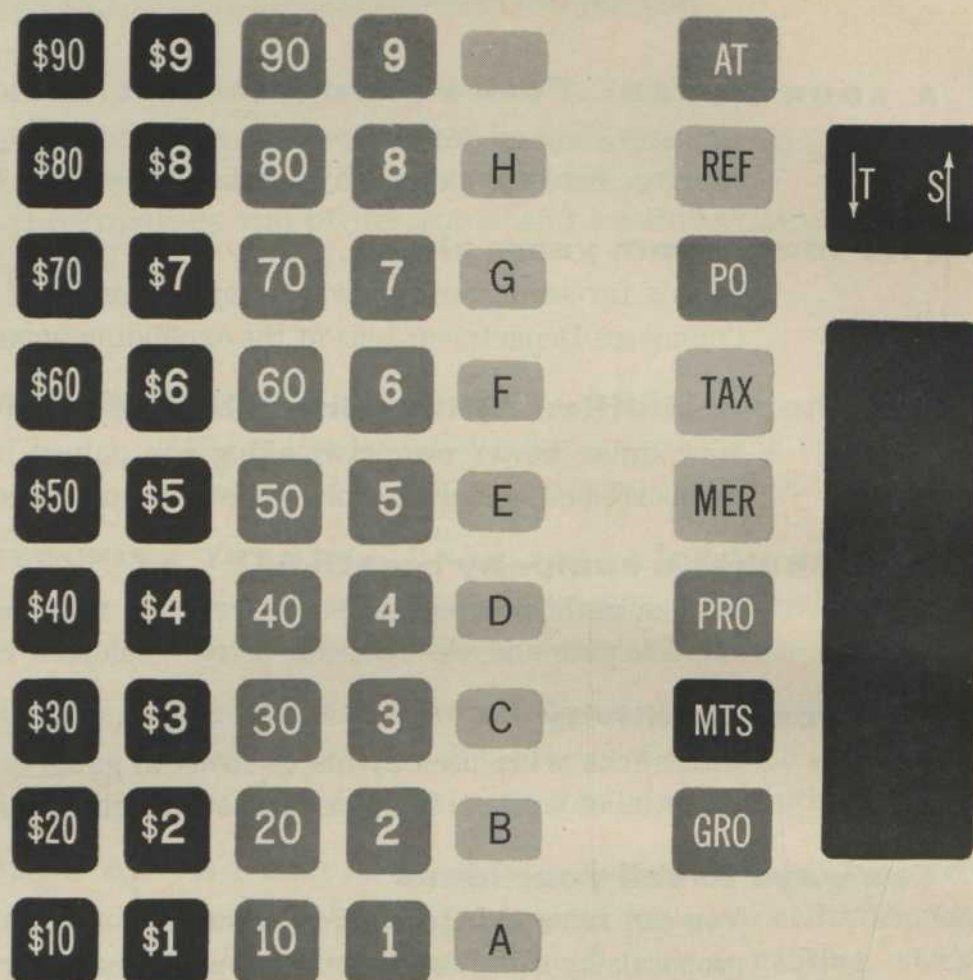
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WASHINGTON BUSINESS OUTLOOK

Congress hustles legislation through pell-mell, gets branded as "rubber stamp."

Examples:

Committee gives witnesses barely 10 minutes to comment on 296 page proposal involving \$6 billion of near-future spending.

Another committee jams testimony of 11 witnesses on \$3.5 billion spending proposal into two-hour period.

Only one-day advance notice is given citizens with views important to law-making.

Fix-it-up-later attitude prevails.

During House debate on school subsidies proposal, congressman argues for clarifying amendment.

It's beaten down.

Chairman Adam Clayton Powell of Education and Labor Committee says amendment "will be given due consideration when [the bill] is adopted and we commence hearings on the next bill."

Rep. Charles Goodell retorts: "What a fine commentary on the legislative process, that we are going to start hearings immediately on another bill to correct the mistakes we make here."

Same drama, different dialogue, plays in Senate.

Minority members of Senate Education and Labor Committee note:

"The advocates of this legislation do not claim its present form is perfect. Instead they argue that it should be passed and that the necessary revisions can be added later in this Congress."

Some committees scorn views of opposition; some even shut out public.

Example:

Senate Appropriations Committee schedules

no public witnesses to testify for or against various aspects of Administration's proposals for new spending authority exceeding \$112 billion.

Only government witnesses are heard.

Some proposals go through Congress without benefit of open hearings.

Multibillion-dollar health tax, hospital, medical care for aged is example.

House Ways and Means Committee based its no-further-public-hearings decision on ground that years of public debate preceded action.

But bill has completely new provisions on which no open hearings were held.

Disregard of opposition views on Capitol Hill has members of both political parties shaking their heads.

Democrat Edith Green of Oregon charges:

"Today it seems to me we have in the House a determined effort to silence those who are in disagreement."

Republican Barber Conable of New York observes:

"If you think the 'war on poverty' is duplicative and wasteful, you're in favor of poverty. If you question the school bill, you're against education. If you don't approve of the medicare approach, you're against the aged and the infirm."

"If you don't favor deficit financing, you're necessarily for higher taxes. If you feel the Appalachia bill is discriminatory, you obviously favor blighted areas."

More speed's ahead. Congress is set for action on numerous proposals involving future of business.

Here's check list of payroll issues that promise harsher wage controls:

Higher minimum pay—Watch bill in House

to hike hourly wage rate from present \$1.25 minimum to \$2.00, pay floor going up 25 cents a year in three steps.

Minimum pay coverage—Administration bill would extend coverage of wage-floor law to include roughly 4.6 million additional workers, mostly employees of restaurants, motels, hotels, laundries, dry cleaning businesses, agricultural processing establishments.

Length of workweek—One proposal would reduce legal workweek from present 40 hours to 35. Another would cut week to 32 hours.

Overtime pay—Double pay rate for work in excess of legal schedule would be required if Senate proposal passes.

Forced unionism issue grows hotter.

Controversy involves repeal of Section 14(b) of Taft-Hartley Act.

This section lets states enact laws against compulsory membership in unions. Repeal would cancel 19 existing state laws, shortstop new laws.

Watch pending measures in House and Senate.

Basic issues underlying these proposals:

Whether federal government shall set wages, overtime pay rates, working conditions, time on job, compel employees to join unions against their will.

Or whether worker skills, ambition, effort, productivity, freedom of choice, collective bargaining shall set the pace for pay and progress.

Prospects for legislation? Pressures are strong. But here's forecast:

There's danger pay floor may be lifted, though not as proposed. Last time it was raised in steps from \$1.00 an hour to \$1.15 and then \$1.25. Jump to \$2.00 is unlikely. President's reluctance to plug higher pay is key factor.

Broader coverage under pay-floor rules is a

major threat in spite of efforts to hold the line.

Workweek? Won't be shortened to 32 hours now, unlikely to be cut at all this year. But double pay for time after 48 hours, as proposed by President, has best chance of passing.

Compulsory unionism issue is far from settled. House of Representatives, according to union leaders' count, teeters in close balance. Jobless pay proposals would hike payroll tax by millions that can't be estimated.

You face new rules on how you can package and label your products if Congress okays a pending measure.

Issue is whether stiffer regulation should be voted.

Opposition grows out of fact that greater control of business would harm innocent companies simply to ease federal enforcement in dealing with a handful of illegal situations.

Point is that laws already protect consumers from deceptive and misleading packaging and labeling, and enactment of proposal would force costs higher for all firms, raise prices to consumers.

Albert N. Halverstadt, vice president of Procter & Gamble Co., believes consumers are quite satisfied with today's packaging and labeling practices, that so-called consumer dissatisfaction has been grossly exaggerated.

"To the extent that fraud and deception in packaging and labeling exist today, the federal government already has power to enforce correction," he notes.

"If enacted, this bill will grant federal officials extraordinary powers to impose their preferences on the market place and hamper industry's effort to meet consumer needs."

Passage? It's possible as supporters step up pressure to get this bill through legislative machinery during coming weeks, but it's more likely to run aground as business shows new law is unnecessary, is not wanted by consumers.

WASHINGTON BUSINESS OUTLOOK

Uncle Sam spends less than estimated for fiscal year ending this month. But spending is sure to go higher than planned for year ahead.

This means federal budget will exceed \$100 billion.

(The budget excludes some \$33 billion welfare and other spending financed out of revenues of special trust funds.)

Government doesn't seem at all worried over crashing \$100 billion political "sound barrier."

Even faster federal spending can come—if President decides to pull out stops.

Mountain of unspent funds shows how much there is for Administration boost.

Example: Pentagon programs national defense spending at approximately \$51 billion for next fiscal year.

But there's sizable backlog of unused and unobligated funds.

This money is earmarked for the future, already okayed by Congress, could be pumped into defense spending stream quickly if suddenly needed.

get under way with total backlog of unspent funds amounting to estimated \$96.7 billion.

Beginning July 1 next year, total unspent funds already okayed by Congress will rise to an estimated \$101.5 billion.

This means that Administration's spending targets could be changed—abruptly if necessary or desirable.

Tight budget is still policy.

But Administration's budget chiefs eagle-eye two areas:

One is world tension. Defense spending will be hiked if trouble around the world spreads, just as Congress handed LBJ an extra \$700 million quick as a wink last month.

Other area is business activity. U. S. economy is expected to keep growing steadily, business getting much better in months ahead. But if it doesn't, there's a long list of government programs that will be stepped up.

Spending in year ahead puts new pressure on Congress for higher debt ceiling.

These facts highlight spectacular growth of federal debt:

From beginning of U. S. government through first half of Nineteenth Century, federal government never owed more than \$63 million.

Now Uncle Sam spends that much approximately every four minutes—night and day.

Debt hovered just above \$1 billion from beginning of Twentieth Century until World War I. Then it jumped to \$3 billion.

Huge spending programs that followed, especially during depression 1930's, boosted debt to more than \$40 billion. World War II shot total to \$100 billion (in '43) and \$200 billion (in '44).

Total soared above \$300 billion a couple of years ago, now ranges around \$320 billion to \$325 billion.



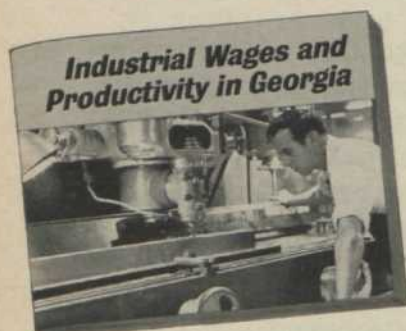
Other government agencies likewise have plenty of funds authorized by Congress. Adds up to billions of dollars waiting to be spent.

On July 1, for example, new fiscal year will

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Business opinion:

Proud town denounces federal poverty grant

To the Editor:

Perhaps your readers would be interested in what has happened since your article, "Would You Fight Poverty This Way?" [April], appeared.

At our annual Township meeting, assembled April 3, a resolution was presented denouncing the federal poverty grant, as it concerns Ypsilanti Township. The motion carried, 98 to 14.

On April 6, the Township Board passed a resolution asking that Ypsilanti Township be withdrawn from the request. Motion carried, 5 to 2.

In addition, the citizens are going to Washington to dramatize the falsities of the project.

This pride-stricken area is rapidly restoring the values that the Administration and members of a certain department at the University of Michigan and Wayne State University had damaged.

A question merits attention at this time. How can this pilot program work? The heart of the program is community action to allow residents to organize, learn and manage their own antipoverty program. But the majority of residents, by petition, have said they will not support it, return the money and leave Ypsilanti Township. Perhaps, without spending any additional funds, Washington has the answer, although adverse to its cause.

ROY SMITH
Supervisor
Ypsilanti Township, Mich.

What's feasible

To the Editor:

A number of states have conditional right-to-work laws. In Colorado, for example, it is unlawful to enter into a union shop contract unless three fourths of the employees vote for one. Although a compromise with right-to-work principles, a law of this nature does give important protection to employee rights.

Statutes of this nature should not be disregarded by those who

are concerned with union security legislation on a federal level.

I endorse the views of those, such as the Chamber of Commerce of the United States, who support the right of states to enact union security controls. My view is based not on principles of states' rights but upon the individual freedom which right-to-work laws support.

A national right-to-work law would be preferable to the present permission for state action in the Taft-Hartley Act. Since this is not politically feasible at the present time, the present law is certainly preferable to any proposed amendments.

S. F. SCHOEERLIN
Attorney
Denver, Colo.

Admirably done

To the Editor:

I have only just seen that article in your April issue entitled "How to be a Better Speaker," in which the author was kind enough to quote me.

The whole thing was admirably done, and I hope very much that younger men will read it thoughtfully.

It was a far better recapitulation of my own philosophy about speaking than I myself have been able to formulate.

CLARENCE B. RANDALL
Retired
Inland Steel Company
Chicago

Real LBJ land

To the Editor:

"What People Think in the Land of LBJ" [April] is truly the best article that has ever been printed about the people in this part of the country. You have managed to portray the people as they really are and we do appreciate it.

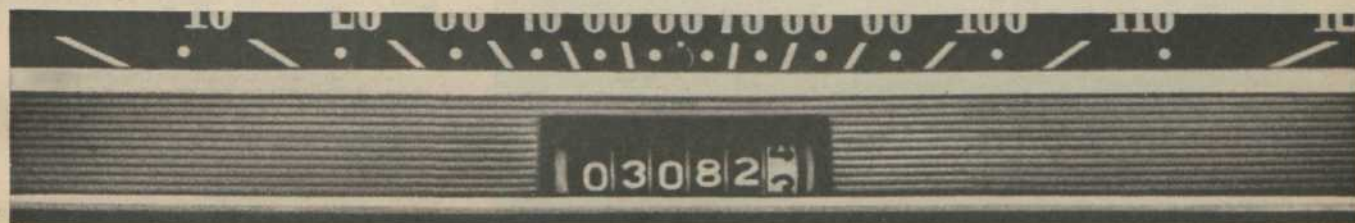
M. C. WINTERS
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Johnson City, Texas

Gets dropouts jobs

To the Editor:

Your article, "Ultimate Weapon in the War on Poverty" [February], was just great. One of the

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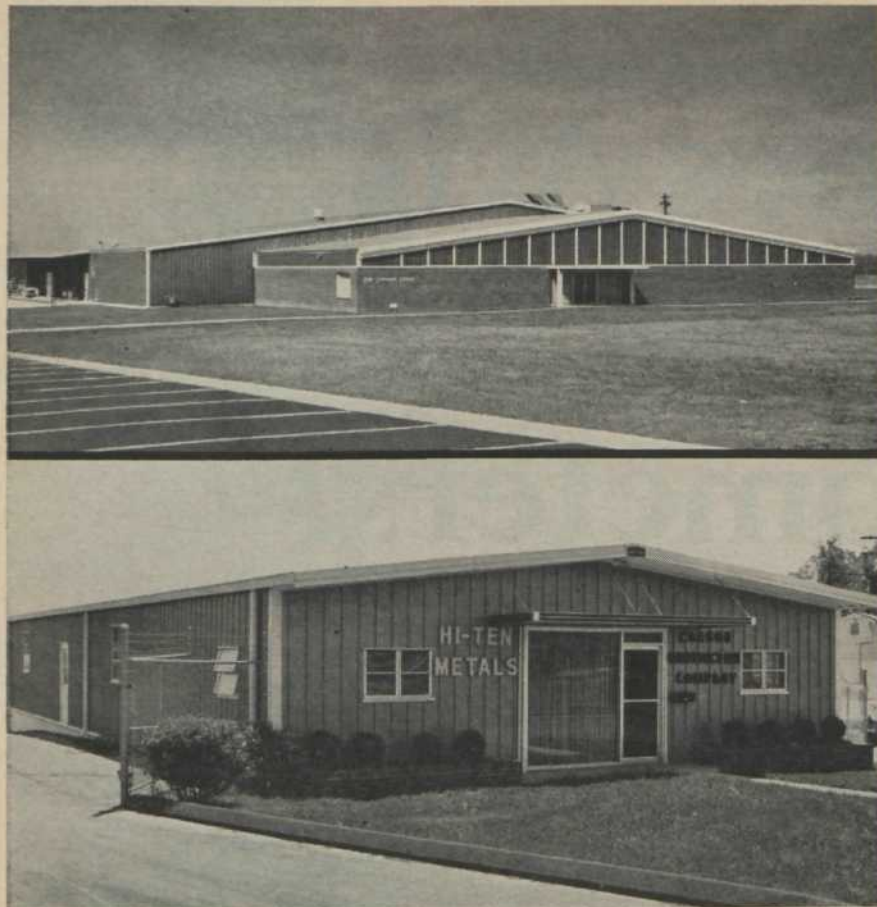
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SOME DEALER FRANCHISES STILL OPEN

Business opinion:

men mentioned in it, Carl James, happens to work for me.

Since it appeared, he and I have been very busy with the Bronx local job placement agency. We have been responsible for the hiring of well over 50 school dropouts in various business places.

FRANK J. MASTANDREA
Owner
SMS Auto Parts and Service
Bronx, N.Y.

President's influencers

To the Editor:

Your piece on congressional relations ["Lyndon's Lobbyists: How They Get What He Wants," April 1965] provided an unusual insight into the activities of the Executive Branch in this area. Your references to my activity were all too kind but, needless to say, I appreciate it.

LAWRENCE F. O'BRIEN
Special Assistant to the President
The White House

To the Editor:

I very much enjoyed your piece about us influencers.

SAMUEL V. MERRICK
Special Assistant to the Secretary
of Labor for Legislative Affairs
Washington, D.C.

Doubly qualified

To the Editor:

Your footnote about Sheldon S. Cohen, author of the article, "New Tax Collector Tells His Goals" [April], omitted this important fact:

Mr. Cohen is the first U. S. Commissioner of Internal Revenue who is a member of both the accounting and legal professions.

SEYMOUR A. RISH
Executive Secretary
National Association of
Enrolled Federal Tax Accountants

Room for criticism

To the Editor:

I think the pictures in "Urban Renewal Wastelands" [April] were unfair in that they did not contain any explanation of the portion of those projects that had come ahead and had been completed and any of the reasons that the property in question had not been sold because of legal barriers imposed by critics of redevelopment.

It certainly is subject to constructive criticism, but I think the good elements and benefits of the program should be shown along with the bad.

WILLIAM B. ROSS
President
Security Savings and Loan Assn.
San Jose, Calif.

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Executive Trends

- Here's long-range job forecast
- Best salesmen don't slap backs
- Study findings you can use

Good men are in big demand. But where?

Opportunities vary, even within a given industry.

To bring the job picture into sharp focus, NATION'S BUSINESS consulted placement counselors of Cadillac Associates and Drake Associates, Inc., Chicago, San Francisco and Los Angeles.

• • •

Here's what the placement experts predict:

In rubber and plastics many good openings beckon, especially for young men with solid business school educations and a feel for the new technology. Demand will continue strong, thanks to population growth and prosperity in auto manufacturing, a key to the economic health of rubber and plastics.

In banking the need for middle, top managers will intensify in the next five years. But because banks and savings and loans are encouraging more modern methods and better images for careers in their fields, prospects will be best for bright youngsters. Veterans may find the going sticky.

In pulp and paper there's a big need for technical people, but they must have outstanding qualifications. Rising consumption undergirds demand here, but mergers have caused some job-pruning.

In factory management the experts foresee continued brisk demand for executives. The individual who will do best is one who has a business degree in addition to science training. Increases in overseas business and trade-show selling

make men who are good mixers especially prized.

In chemicals the acute need is for those who can fill production jobs quickly and competently. Automation curtails some job opportunities in lower ranks. So long-range career planning is strongly advised for newcomers.

In data processing all systems are go. Qualified support personnel are scarce, both for computer users and manufacturers. Salary offers will trend up; demand will continue high through 1970. Consulting firms are said to be in "dire need" of men who can assess computer requirements of client firms.

In the food industry, the cry is for highly skilled broker salesmen, packaging people, technicians. A Ph.D. in food-related sciences can command a \$2,000 job premium.

• • •

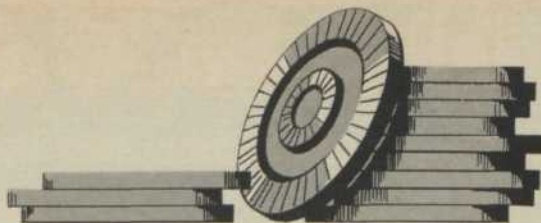
"You wonder how these fellows could sell water to a thirsty man in the middle of the Sahara Desert."

That's how research psychologist Herbert M. Greenberg describes some of the nation's most outstanding salesmen. Many of them don't look anything like successful salesmen. Some of them don't even look like unsuccessful salesmen.

Dr. Greenberg specializes in studying sales types.

He says top-flight sales people aren't always "blond-haired and blue-eyed halfbacks." More often than not, they are five feet seven, bald, wear glasses and look more like a junior high school math teacher.

"What is necessary in a sales-



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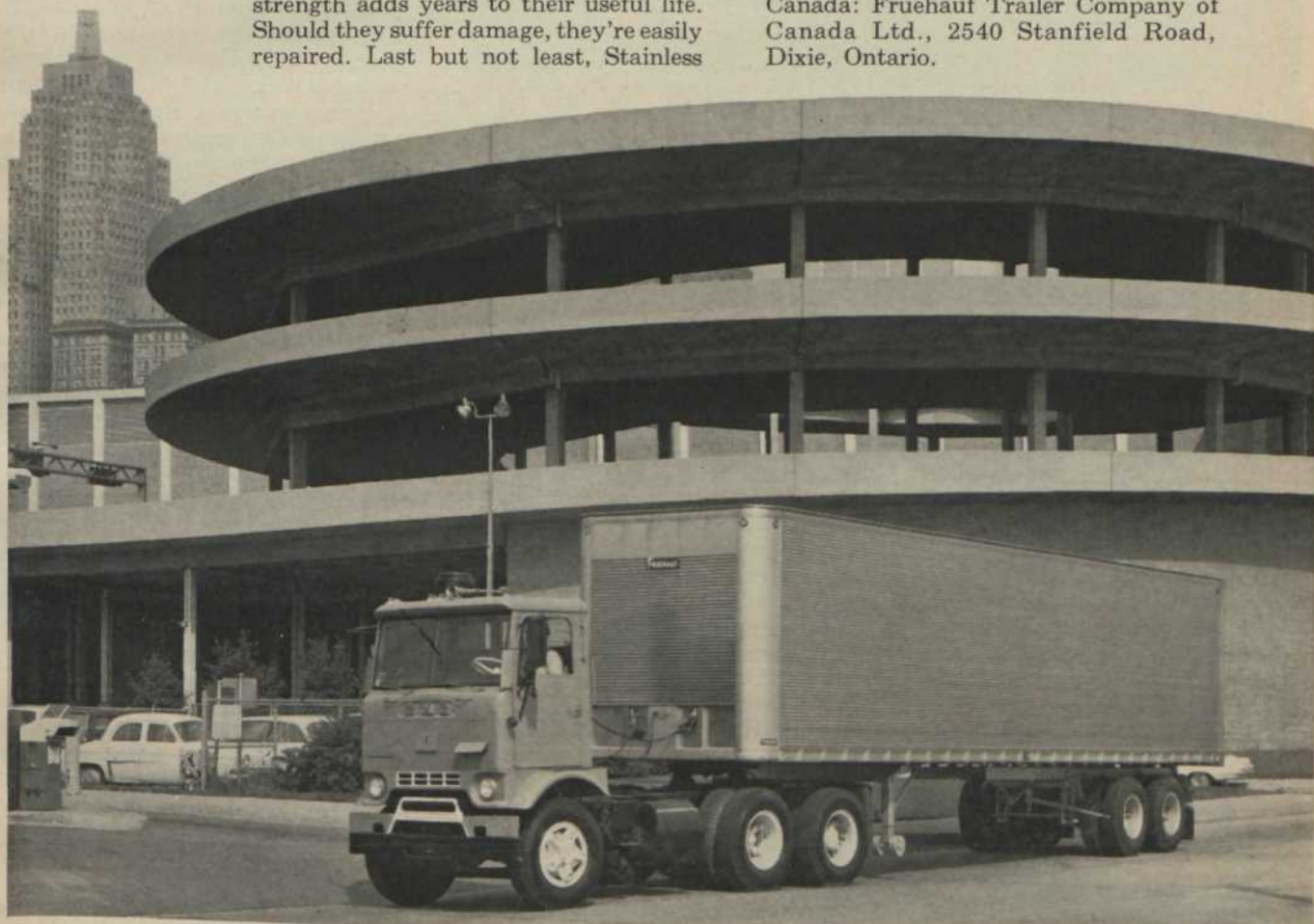
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EXECUTIVE TRENDS

continued

man," he continues, "are the attributes of empathy and ego drive. The apparently shy individual can still be consumed with the need to conquer, and with this need he is often able to use the very fact of his soft-spoken manner as a plus factor in his selling approach."

A big spurt in the number of executives placing their names with so-called job registries is reported.

The reasons for this are several. Among them is the fact that the registries offer a job-seeker almost ironclad protection if he doesn't want his present boss to know he's shopping around. This protection is possible because registries maintain huge files of job-seekers and large files of job openings.

When registry personnel find a promising matchup of man to job, they contact the registrant and let him decide if he wants to approach an employer.

Item: As use of registries grows, professional recruiters are also using them to broaden and speed their own search efforts.

Here's a tip for companies that are big buyers of passenger car tires:

A new "Certified Tire Directory" is available at 25 cents a copy from The Rubber Manufacturers Association, Inc., 444 Madison Ave., New York 22, N.Y. (Quantity orders are available at \$15 per hundred.)

Why change your product package?

One group of researchers lists five good reasons for changes in packaging: To achieve better visibility, to overcome competitive advantages, to modernize, to streamline a "tired" impression, and to satisfy legal requirements.

Note: Getting a sales message across quickly is more important than beauty of your package, the experts agree.

The Small Business Administration is making a searching review of its management assistance and business loan programs and objectives.

In coming months SBA will put more emphasis on aiding very small businesses, thus bringing its work more directly into phase with the President's war on poverty. There

SEARCH



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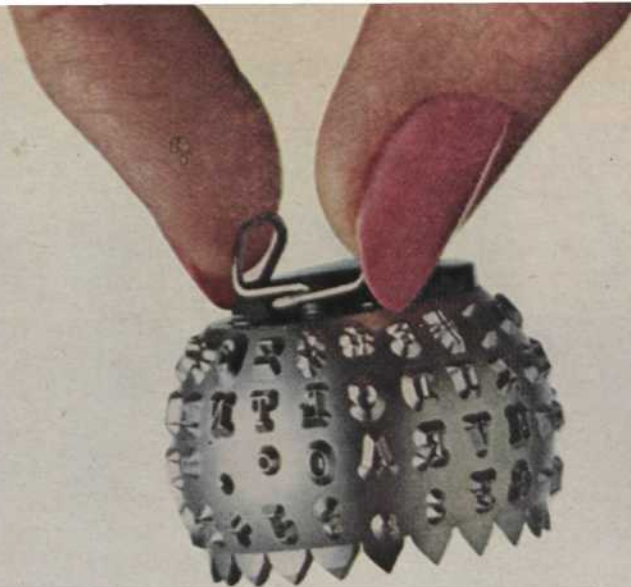
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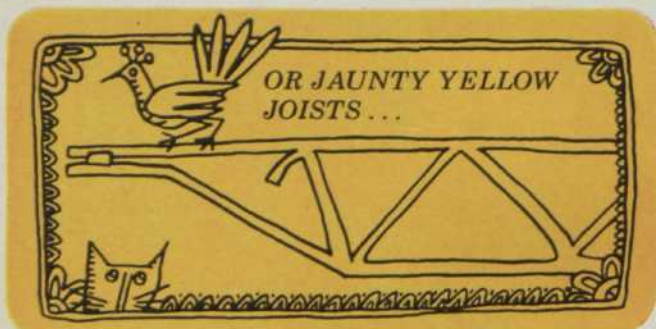
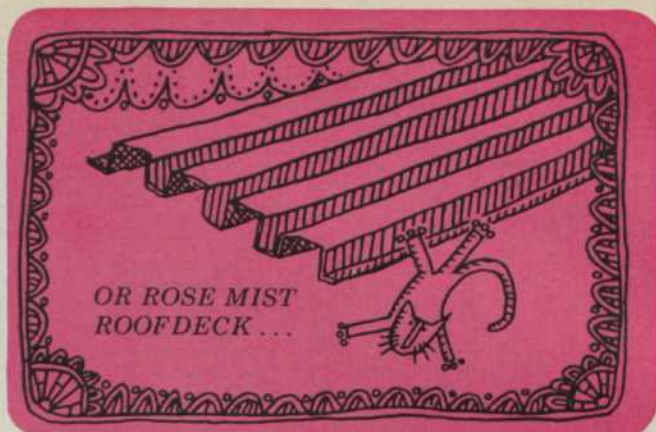
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EXECUTIVE TRENDS

continued

will be more small-scale loans to small firms.

Under this new approach, the agency's management-aid literature will be designed more for the small operator, less for the larger concern.

SBA also will urge more big companies to set up and run training programs for their small suppliers and customers. SBA will be working, too, to promote counseling activities by retired businessmen. Comments an agency official: "We'd like to see such programs become self-perpetuating."

Part of the rethinking at SBA involves the realization that businessmen—big or small—prefer to deal with other businessmen, rather than federal employees. As a consequence, SBA will push harder to enlist more local business leaders in all phases of its activities.

• • •

Executive intelligence: More companies turn to "newsletters" to bolster their selling efforts; styled after highly successful "letters" from Washington, these reports combine sales pitch with forecasts on products, markets, etc. . . . Number of shares listed on NYSE has risen from three billion 10 years ago to more than nine billion today. . . . Study discloses employees who drop most ideas in suggestion boxes have bosses who are "undogmatic, unauthoritarian, orderly, and a bit anxious." . . . Ever wonder why a man you've sent to training courses doesn't shoot sparks when he returns to job? Researcher says reason may be that you don't really agree with what employee was taught and may be subtly sabotaging his efforts to put what he's learned to work. . . . By 1970, according to new estimate, U. S. firms will realize about 70 per cent of their sales from products developed since 1960; marketing expert Thomas A. Staudt predicts new product competition will result in more business failures because of growing risk factor and attrition from ventures in fields where companies lack know-how. . . . Now it's "training by tape"; Administrative Management Society has tapes available for chapter program discussion use. First tape features discussion of automation's impact on middle management. . . . Caution: Purdue speech researcher finds that counting to 20 aloud can give clues to social status, intelligence and job level.

Bert Short, Triumph Sports Cars, Inc., New York



Why a Triumph Car Dealer uses a postage meter for 15 letters a day.

Bert Short sells the TR-4, Spitfire, Herald and other makes of Britain's best automobiles. He has a fine Scots burr in his voice, and another Scots trait, too. "Frankly, we put in the postage meter for its accounting feature," he says. "Three salesmen and a girl send out letters individually, maybe not more than fifteen a day. The meter lets us know what is done with our postage money. And it's also very convenient to always have the stamps you need."



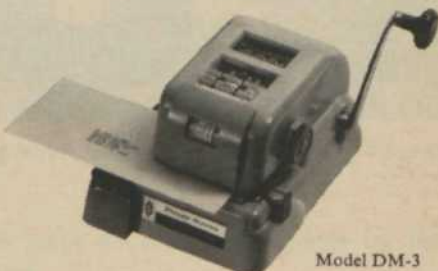
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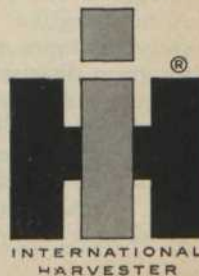
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the strength to grow**



Beatnik unrest baffles LBJ

BY PETER LISAGOR

THIS IS THE SUMMER that the famous postwar baby boom ripens into a massive teen-age assault on the job market. The unemployment rate among 18 and 19-year-olds will be harder to crack than ever before, Secretary of Labor W. Willard Wirtz predicts. And President Johnson, balefully studying the statistics of an anticipated 20 per cent joblessness among white youths and about 36 per cent among Negroes, privately worries about what might happen in the city streets when the weather gets hot, the tenements steamy and tempers high.

The scope of the problem is shown in a simple set of figures: Those reaching their eighteenth year in 1950 numbered 2.7 million; in 1960, 2.6 million; in 1964, 2.8 million, and this year, 3.7 million—a 32 per cent jump. Half a million of this latter group were out of school and out of work last January. Over a six-year period, unemployment in the same age bracket was up 50 per cent, which has accounted in large part for the national anxiety over school dropouts and the White House's concealed disquiet over the prospects for trouble for those who will not be absorbed in the various youth programs of the anti-poverty package.

So long as the problem remains one of a basically economic character, the President is likely to feel a certain affinity with the youths and a comfortable understanding of their plight. He has an indulgent teacher's outlook in such matters. Whenever he talks about his past or his future, he is apt to recall his early career as a teacher in a predominantly Mexican-American high school in Texas or to reflect upon how he might like to teach courses in government at the state university after he leaves the presidency.

Perhaps more than most men, Mr. Johnson is a creature of the environment he knew as a boy and a young adult. His attitudes seem to have been firmly

shaped in those tender years; as a case in point, his recently expressed indictment of the Ku Klux Klan and its hooded works goes back to his memories as a 15-year-old who feared that his outspoken father, a member of the state legislature, might be tarred and feathered for his anti-Klan views. He often dwells on the difficulties he had when he struck out to find his fortune in California after his high school days. He could do no better than to work at menial tasks,



Student pickets bring their demands to the White House door.

and returned home to change directions by finally going to college.

In a later time, he remembers easily and with a sense of high achievement the stint he put in as Texas state director of the National Youth Administration in the 1930's, when the depression encouraged youthful rebels, student dissidents, teen-age malcontents to view the future with something less than the traditional Texan's native optimism. Though a restless man himself, chafed by an unpromising and idle environment, the young LBJ never betrayed, by all accounts, any temptation to hit the barricades with the hot-eyed reformers of the period.

It is a fair judgment that his temperament ruled

Mr. Lisagor is the White House correspondent for the Chicago Daily News.

TRENDS: WASHINGTON MOOD

out social or political protest outside of the orthodox channels of school debate and precinct or district politics. If a boy didn't have a job and wanted to work, he could be helped, or ought to be helped, within the existing order; if he was a victim of despair, the cause probably could be found in his idleness; if he didn't want to work though a job might have been available, he was required to pay the penalty of laziness—these, it is a good guess, were the rules that guided the young high school teacher, the congressman's assistant and the NYA director, not to mention the legislator who later became President. And his words and acts indicate they lay at the core of his belief in finding a job for the idle or training him for useful work and, consequently, staunching at its source the discontent that leads to trouble in the streets.

However, a new reality has arisen to trouble Washington, and whether the President has a comfortable understanding of it, for the aforesaid reasons, remains open to some question. It is the reality of a youthful radicalism among the middle class who are not primarily concerned about economics. They comprise what has been called the radical left. They are devoted to what one of their numbers, in the current addiction to fuzzy labels, describes as "existential radicalism."

They seem short on theory and ideology so far, but long on militance and defiance. Their legions are small but noisy. The civil rights cause was a natural for them, and they embraced it as though they invented it. They haven't yet been bloodied in the old doctrinaire fights of the 1930's, when the communists knew more debating tricks than anybody else and usually prevailed, but they have had their squabbles and jousts because they come in all sizes, shapes and varieties.

Their main rallying cry, in the face of a robust economy, is peace. They behave as if the so-called "wars of liberation" advocated in Moscow and Peking were indeed just and necessary, and any opposition to them immoral. They are not unlike the student peace movements of the pre-World War II years, except that their battles are with their own government instead of foreign regimes bent on aggression and expansionism.

Not all of them are to be damned with hateful labels, for there are the usual idealists, the genuine thirsters for a quieter, more ordered world, the confirmed pacifists with religious anchors.

From Washington's standpoint, their adoption of the peace issue as their own is grimly amusing and ironic. For peace remains the dominant aspiration of the American people, as every public opinion poll shows. And President Johnson, during the 1964 political campaign, often remarked that when he mentioned peace on the platform, you could hear a pin drop in the audience. He took maximum advantage of this impulse, of course, and his most effective cam-

paign passage was one in which he described, in vividly personal terms, what it was like during the anxious days of the Cuban missile crisis in October, 1962, when the eyeball-to-eyeball confrontation with the Russians brought the world to the brink of a nuclear exchange.

LBJ ended his recital by observing that the coolest head in the room of decision was that of President John F. Kennedy, and, because of a mixture of firmness and restraint, peace was preserved.

Mr. Kennedy also learned, to his surprise, how truly deep the peaceful currents run on his celebrated tour of the western states in September, 1963. He had hesitated to mention the limited nuclear test ban treaty, uncertain as to whether the people fully supported it, as he moved across the country. When he finally eased into it in a Montana speech, the audience erupted in fervent applause. He seemed momentarily astonished at the discovery of an issue. From that moment on, however, he brought the fact of the treaty into every subsequent speech with the same result, spontaneous bursts of approval.

At the time of Mr. Kennedy's discovery, as well as throughout the 1964 campaign when Mr. Johnson rode the peace issue with vigorous spurs, the situation in Vietnam had not reached the later proportions of a world crisis. The student dissenters were not yet spending their brief holidays on a bus to Washington to picket the White House. The teach-ins had not yet been conceived, and the college instructors who took part in these eccentric seminars of protest were spending the hours from midnight to dawn in sleep rather than in reciting reasons why the United States should withdraw from Vietnam in favor of negotiations in which the other side was showing no interest at all.



There is a great reluctance among government officials not to exaggerate the importance of the young radicals, whether they live and protest on the far left or the far right. In the American tradition, it has not proved an unwholesome feature of campus life, for the heady dissenter has mostly managed somehow to mature into sober parenthood. There is ample evidence that the center of the political highway is still the most heavily traveled. But the evidence also is strong that the radical movement, small and somewhat far-out though it may be, can spark and trigger the street demonstrators into spasms of violence, especially against the police. Their more militant agents can be expected to filter into the job corps camps and sow their seeds of dissatisfaction with the unlearned and impatient.

For those who ask only that the society provide the opportunity for work, the Administration feels a certain competence. These young men and women fit into a mold with which the President himself has had experience. He understands the ingredients of dissent produced by unemployment and discrimination. It is the others who create the uncomfortable problem, for they are well-fed, well-clothed and well-housed, and the motive power behind their protests seems vague, amorphous, dimly understood and, in some instances, aimless.

ΑΡΙΘ.

ΣΑΙΝ ΠΩΛ

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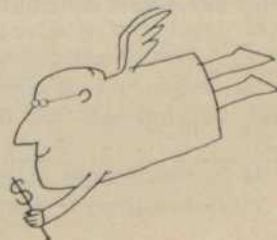
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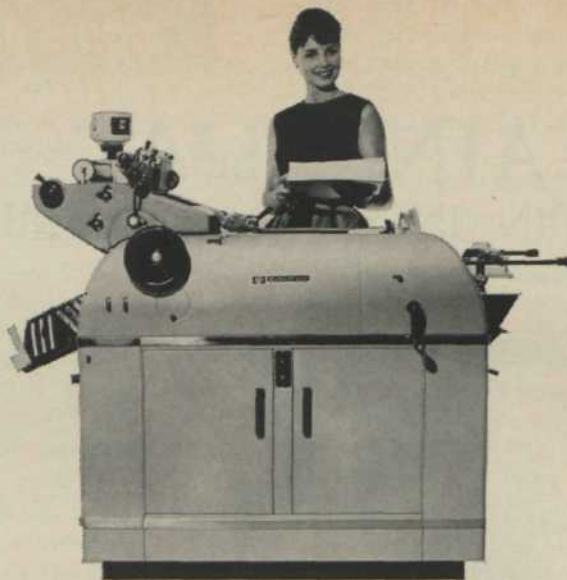


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When federal "aid" can backfire

BY FELIX MORLEY

WITH AN IMPACT comparable to that of the Mississippi in flood, the full force of the postwar population explosion will in September hit the nation's colleges. Entrance applications have been running close to 20 per cent above those of a year ago. Yet few of those now graduating from high school will find it impossible to continue their education, if they have both the will and the ability to go forward.

Many aspirants will not be able to enter the college of their dreams, even though father and grandfather may have gone there. At Harvard, for instance, only 1,425 out of 6,700 qualified freshman applicants are being admitted and similar discouraging ratios hold at many other ivy league institutions. But colleges of no less merit, though perhaps less glamour, stand ready to absorb the top-drawer rejects. State or municipal universities, and the rapidly expanding community colleges, are prepared to take in practically all the remainder, provided only that scholastic aptitude tests give reasonable assurance of what the phrase implies.

Contrary to a widespread impression, very few of this year's high school graduates will be barred from college merely for lack of financial wherewithal. Indeed, for the top students in a public school, empty pockets may be a positive advantage.

A "poverty line" is now arbitrarily drawn at yearly family incomes under \$3,000. Yet a nationwide analysis of the talent tests has shown that in 1961 not one member of a family in this low bracket failed to go on to college if he or she was rated in the top two per cent for college aptitude. In the top 10 per cent, seven out of eight secured entrance.

On the other hand, for those whose aptitude tests placed them in the bottom half, immediate college entrance was denied to more than 50 per cent from families with an annual income above \$12,000.

These findings are not surprising to those familiar

with the admissions policy of private colleges. A student body of high quality is their greatest asset. Good students draw good teachers and good teachers in turn build academic reputation. Poor material in the classroom is as injurious to the outside image as is shoddy merchandise in a shop window.

For that reason the better colleges assiduously scout the high schools for superior undergraduate talent. For the applicant who evidently has the scholastic makings, substantial scholarship help is almost always available. Student loans can now be obtained with little or no interest charge and there are many remunerative part-time jobs around the campus. These opportunities have at least been keeping pace with soaring tuition costs.

• • •

This does not mean, of course, that all of those with the ability for college training, and only those, obtain it. Some who would benefit are kept out, while others who can pass a football more smoothly than an academic subject are likely to get in. But by and large, and long before the present extension of federal aid, the better students have been accepted by the better colleges and those without promise have not. The lavish influx of scholarship funds now promised from Washington is therefore unfortunately most likely to benefit the incompetent.

That is the more probable because direct federal aid to any large group is necessarily handled on a standardized basis. People become eligible for agricultural subsidies or old-age benefits whether they need them or not. Similarly, the beneficiaries of federal scholarships will by no means always be scholastically deserving. Efforts to couple assistance with ability will at best be only partially successful. In actual practice all legislation providing financial grants by categories must be administered under set rules, with no accommodation for the unusual case, no matter how deserving.

Another serious defect in federal aid of all kinds is its tendency to become departmentalized. Thus

Dr. Morley is a Pulitzer Prize-winning former newspaper editor and college president.

TRENDS: STATE OF THE NATION

the elimination of slums is made the responsibility of one agency, while educational assistance is handled by a wholly separate department. Yet there is in fact an intimate connection between the housing and the educational problems. The child who lives in an overcrowded tenement, where he can never get off by himself to read or study, is at a tragic disadvantage compared to the one with a room, a desk and a bookcase of his own.

As shown by the figures cited above there are always a few children who, like Abraham Lincoln, can rise superior to environmental handicaps. There are also children, as many a well-to-do parent has discovered, for whom riches may prove more of a handicap than rags. In neither case can the school alone, no matter how lavishly endowed, be expected to eliminate deficiencies which lie outside the field of education. Its techniques are useless for those who will not or cannot learn.

The desirability of viewing the much advertised war on poverty as a whole, instead of as a series of isolated skirmishes, is found not in Washington but in the industrial cities which are the major battleground. It is strikingly emphasized by Francis A. Davis, a prominent Baltimore merchant who serves as chairman of the Welfare Commission of that city's Department of Public Welfare. This commission is a voluntary, unremunerated but officially appointed group of public-spirited citizens who cooperate with and advise the professional welfare agency.

After years of firsthand experience with the relief problem Mr. Davis has concluded, in his own graphic words, that "relief for houses is as important as relief for individuals." He explains that the overcrowded home compounds many problems now being treated as though they were entirely separate. Disease, immorality, ignorance, incompetence and crime breed like rats in the slums of all our cities, to the extent that they are now as unsafe at night as were the purlieus of London or Paris five centuries ago.

The federal urban renewal program, in spite of enormous expenditure, has failed in coping with this problem. Where old slums have been bulldozed new ones have sprung up. For schools in these areas, integration does nothing to remove the educational handicap. Too often it has meant lowering educational standards to the level of the most retarded.

Mr. Davis argues that if a portion of direct relief were diverted to the owners of old but well-built houses, under contract for keeping them in good condition, the tendency to subdivide into small apartments at high rentals could be blocked. A deteriorating residential area might then recover the amenities it has lost, without the dislocation and consequent even greater overcrowding commonly associated with slum clearance. There should be less abuse of relief funds under this plan than is the case at present, Mr. Davis maintains. Certainly it would be easier to control misuse of the subsidy by landlords

than in the case of the multitude which receives direct relief.

The basic value of this proposal, however, does not lie in its specific argument. Fundamentally what Mr. Davis recommends is that the problem of poverty be regarded as an indivisible unit. He emphasizes what Washington tends to ignore: that there is an intimate connection between bad housing, disease, juvenile delinquency, functional illiteracy, unemployment and crime. To approach these as separable issues is to end by solving none of them.

Admitting the basic unity of the poverty problem, some might jump to the conclusion that a huge Department of Welfare in Washington, with a million employees under the direction of a super-Shriver, would be a logical next step. Fortunately, any such outcome is most unlikely. The objective of every blossoming federal agency is before all else to maintain its own identity and go its own way, whether or not at cross purposes with others.

Moreover, the essence of the Davis argument is that only at the local level can the overlap in the interrelated social issues be appreciated and effectively handled. Only those who live and work in the community can realize, for instance, that a particular school is lowering its standards because most of its pupils have no opportunity to study at home. One recalls that as a boy John C. Calhoun would tie a book to the handles of his plow, and read it as the oxen ambled down the furrows. The city streets offer no such channel to learning in our allegedly more enlightened age.

The tendency is to say that only completely centralized government, with huge and regimenting bureaucracies, can cope with the multifarious social problems which form the shadow side of a rapidly changing civilization.

But if a Great Society is to be attained, in fact as well as in claim, it is much more likely to be through the discriminating and flexible approach of local leadership.

Before Washington got into the act the private colleges of this country had gone far to make good education available to the "deserving poor," with simultaneous polite rejection of many who were better able to afford than to profit from the experience. This was possible only because of independence in administration, coupled with generous support from business, either direct or through educational foundations. In the past decades there has been a steady and enormous increase in this private assistance, outpacing the rise in tuition costs and making federal aid a dubious additional benefit.

What has been done in education, Mr. Davis suggests, could be accomplished in connected social problems, provided the community mobilizes local know-how and ingenuity to that end. The alternative, all too clearly, is wasteful if not inept interference by the central government in areas which the Founding Fathers, in their wisdom, sought to reserve "to the States and to the people."



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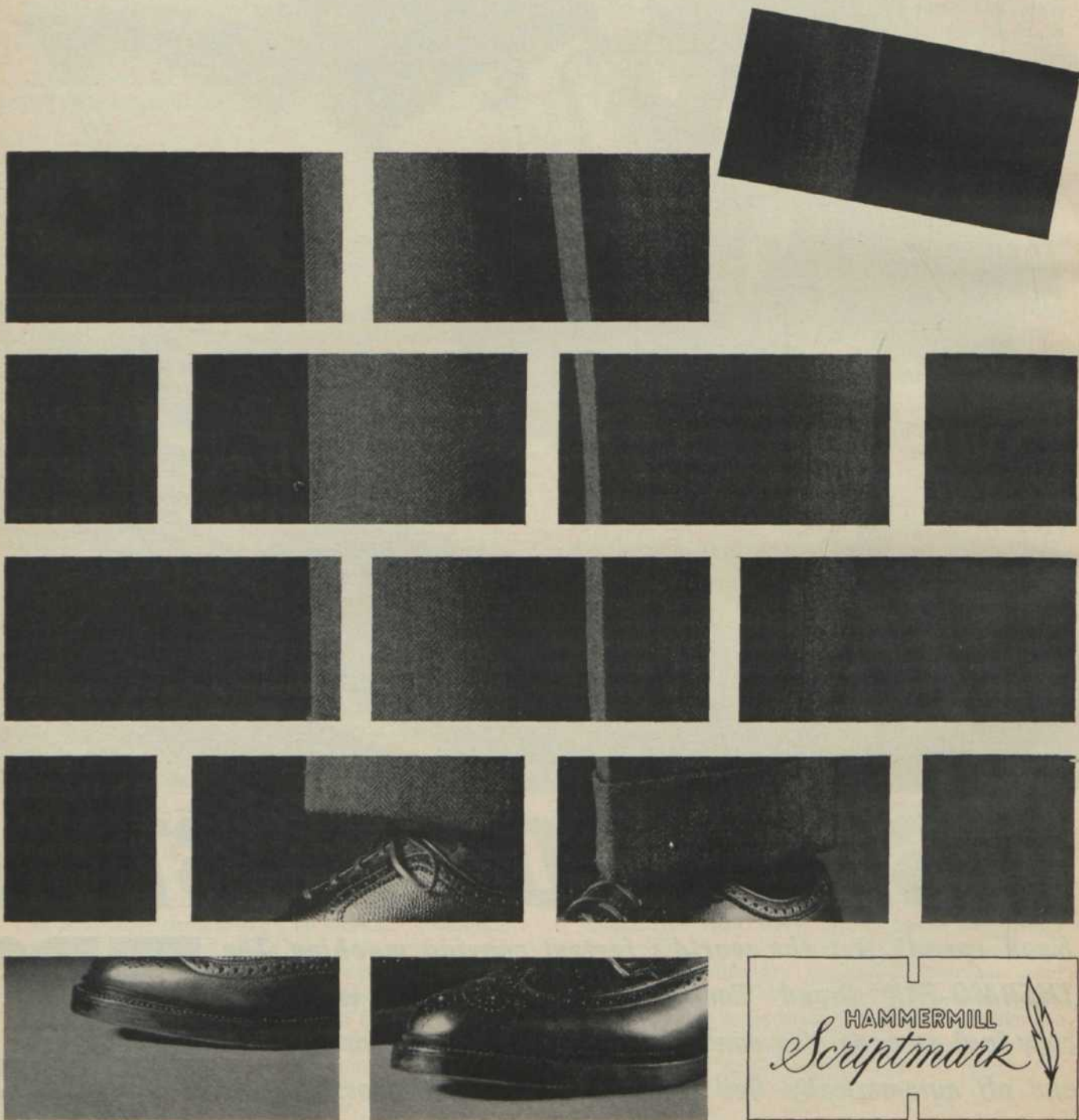
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Governors fight right-to-work repeal

IN STATE AFTER STATE where humming factories are pouring out goods at record rates, there's a quiet but deep resentment against a political drive nearing a showdown in Washington.

A NATION'S BUSINESS poll of governors just made shows this. State chief executives don't want Washington to nullify their laws which protect the rights of people in their states to work without having to join a union. The Johnson Administration wants to wipe out Section 14(b) of the Taft-Hartley labor act which protects these workers' rights. Nineteen states have such laws, and they've worked well.

But organized labor has made repeal of 14(b) its No. 1 legislative goal. Unions stand to increase their power and financial resources, of course, if the right-to-work laws are killed.

On the following pages are views of governors of states with right-to-work laws. They oppose congressional tampering with their laws. A few governors did not answer.

Gov. Sam Goddard, Dem., Arizona

On right to work, Arizona has had such a law for 14 years and no proposed modification is anticipated.

As governor I strive to carry out all the laws of the state.

Since most of the labor contracts of Arizona are prepared in other states that do not have right-to-work laws, its application is limited.



Gov. Carl Sanders, Dem., Georgia

A right-to-work law was enacted by the General Assembly of Georgia some years ago.

I do not expect, nor would I support, any effort to repeal it during the next legislative session.



Governors fight right-to-work repeal *continued*

Gov. Harold E. Hughes, Dem., Iowa

I have recommended that the law in Iowa be modified to conform with the Taft-Hartley Act, permitting employers and employees to negotiate union shop contracts.

At the same time, I have recommended that the state law banning secondary boycotts be strengthened and that other steps be taken to provide both labor and management greater protection against abuses than they now have.

I believe the authority to adopt such legislation should remain with the states.



Gov. William H. Avery, Rep., Kansas

I do not favor repeal of Section 14(b) of Taft-Hartley.

The Taft-Hartley Act recognizes state prerogative and jurisdiction and there has been no evidence that the exercise of state judgment has been abused.

The effect of repeal in our state would depend on whether it were retroactive or prospective. If retroactive, court action would probably result as a right-to-work provision has been added to the Kansas constitution.



Gov. Paul B. Johnson, Dem., Mississippi

I oppose repeal of Section 14(b) of the Taft-Hartley Act.

Our right-to-work provision is a part of the Mississippi constitution and has been beneficial to both employer and employee.

Repeal would nullify this provision of Mississippi's constitution and would be detrimental to the economy of the state.



Gov. Frank B. Morrison, Dem., Nebraska

I oppose repeal of Section 14(b) of the Taft-Hartley law.

Our right-to-work provision is a part of the Nebraska constitution.



Gov. Dan Moore, Dem., North Carolina

I do not favor the repeal of Section 14(b) of the Taft-Hartley Act.

I do not believe that any federal legislation forcing us to change our state law on this matter or rendering our statute ineffectual would be in the best interest of North Carolina.



Gov. Nils A. Boe, Rep., South Dakota

Retention of Section 14(b) in the Taft-Hartley law is to no extent detrimental or prejudicial to the economy of our state or to labor in this state.

Our right-to-work law has proved very satisfactory, and labor and management have been able to work very successfully together under our constitutional amendment guaranteeing the right to work as well as the statutory provision guaranteeing this same right.



Gov. John B. Connally, Dem., Texas

The 1962 Texas Democratic Party platform called for retention of the state's right-to-work law.

I campaigned for governor that year on a program to retain the law.

Nothing has happened since to change my position.



Gov. Albertis S. Harrison, Jr., Dem., Virginia

I oppose repeal of Section 14 (b) of the Taft-Hartley law. Virginia's experience under the right-to-work law has been most satisfactory.

The purpose and operation of the law are in the best interest of both labor and management.



Gov. Clifford P. Hansen, Rep., Wyoming

We oppose repeal of Taft-Hartley Section 14(b).

Some jurisdictional areas, including choice of enacting right-to-work laws, should be left to the states.

Repeal would invalidate Wyoming's right-to-work law, which appears to have had little effect one way or the other. However, employment and hourly and weekly earnings are up here since passage.





JOE COVELLO—BLACK STAR

LESSONS OF LEADERSHIP

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It will present the accumulated wisdom of respected statesmen of American business—each told in the words of a seasoned executive, interviewed by NATION'S BUSINESS editors.

PART I: DECIDING THE TOUGH ONES

A conversation with M.J. Rathbone, Standard Oil Co. (N.J.)

MONROE JACKSON RATHBONE sat at the head of a magnificent oval oak table in the paneled board room of Standard Oil Co. (N.J.) making the big decisions for the world's largest oil company for 11 years as president, then chairman of the board.

He's a large-framed, seemingly placid man, with the hands of a roustabout and a voice sometimes so soft you have to lean forward to catch every word.

Mr. Rathbone is now retired from Jersey Standard after 44 enriching years with the company. His leadership and organizational abilities were spotted early. At 36 he was president of Standard Oil of Louisiana, a Jersey affiliate.

During his years in top command, Jersey's net worth, earnings and dividends doubled. Total assets of the company now stand at \$12.5 billion.

Few men have had the opportunity to learn as Mr. Rathbone has, whether listening patiently to reports in the oaken board room on the 29th floor of Jersey's executive offices at Rockefeller Center in New York or at some outer reach of the Jersey empire in any of 100 foreign nations.

A NATION'S BUSINESS editor talked with him recently to glean some of the accumulated wisdom of Mr. Rathbone's lifetime in business. The interview follows:

Mr. Rathbone, what have been some of your greatest satisfactions in your business career?

Well, I think probably some of the greatest satisfactions have been in planning organiza-

tional patterns, putting them into effect and seeing them work the way you planned it.

This involves not only getting effective results, let's say, for the company, but it also involves seeing individual people perform the way you expected and hoped that they would.

You have been quoted as saying you have been able to get people willingly to work for you and that this is a key to your success as an executive. How do you go about this?

I don't believe anyone today can be highly successful in business, particularly in a larger business corporation, unless he has a great deal of help, support, cooperation from a lot of people in the organization.

The day has passed when you have an individual that just singlehandedly makes all the decisions and does all the work and, therefore, runs everything. It is much more team play today.

The chief executive has to make plans, project an organization, put proper people in proper places.

But after that has been done, then all of these people working together really make the thing go. And the extent to which they work harmoniously and effectively is pretty much the measure of how effective the organization is going to be.

Now, how do you get people to do that? I think in a big organization people have a tendency to feel a little bit swallowed up, a little bit overwhelmed by the (*continued on page 44*)

You are paying too many taxes

Congressional action is expected to ease business burden of multiple state income and sales levies

THOUGH CONGRESSIONAL attention now focuses on federal excise levies, the lawmakers may soon tangle with a tax problem which affects more businesses even more directly.

State and local taxes on corporate income and on sales or use have become a frustrating and costly briar patch to the businessman who sells across state lines. They produce such prickly situations as these:

- ▶ A state seeks to collect use taxes from a company 3,000 miles away which sells to customers in the state. But the company finds that the customers already have themselves paid the tax.

- ▶ A firm figures its expense at \$20,000 to \$30,000 yearly to collect only \$8,000 in state use taxes.

- ▶ A number of states are trying to force out-of-state companies which sell only through advertising to collect use taxes for them.

- ▶ One state assesses a tax on the income of a corporation's foreign subsidiaries operating oceans away from the taxing state.

- ▶ Manufacturers are taxed on products they make even if, instead of selling the product, the maker uses it himself.

A special subcommittee of the U. S. House of Representatives has made an exhaustive four-year study of these state taxes. It will issue, probably this month, its recommendations for congressional action.

Most businessmen prefer state and local over federal taxation because local representation is normally more responsive to citizens' wishes. However, what is needed, businessmen feel, is a federal law which will bring order out of the hodgepodge of state and local taxes which more and more hampers the operations of companies engaged in interstate commerce and threatens to put many smaller firms

out of business. Forty states now levy a sales and use tax and 38 levy a corporate income tax. The situation is further complicated by the more than 2,300 cities and counties which assess sales or use taxes and the more than 100 which charge local taxes on income.

In an earlier report on state corporate income taxes, the House Special Subcommittee on State Taxation of Interstate Commerce took a sympathetic view of the businessman's problems. This view probably will be reflected in the forthcoming recommendations.

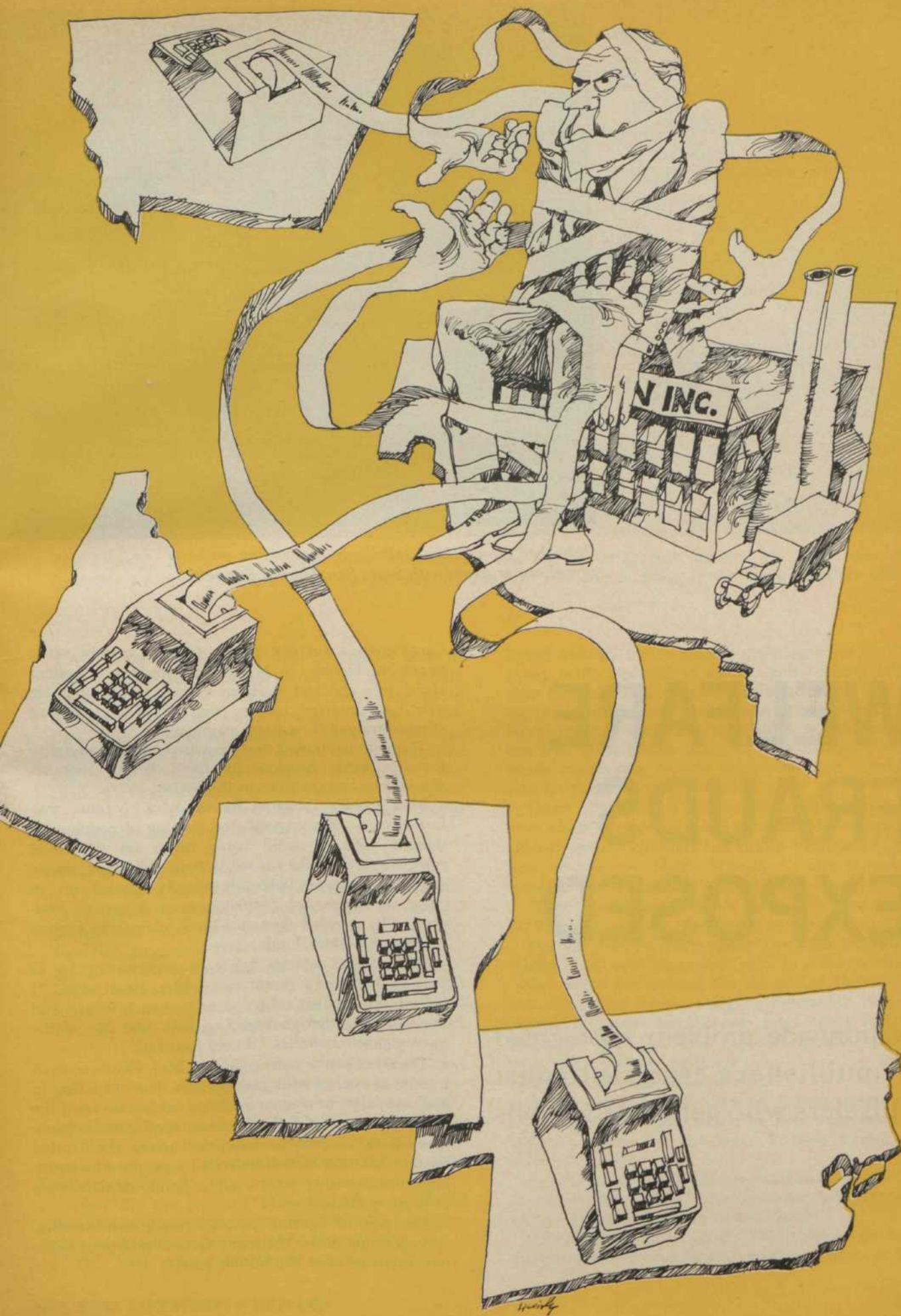
Democratic Rep. Edwin E. Willis of Louisiana, chairman of the Subcommittee, says:

"Clearly, the picture that emerges from our study is not that of a smoothly functioning and equitable system. Rather it is a picture of elaborate and diverse rules which may be perfectly appropriate for the single-state company but are unrealistic for companies selling their goods in many states.

"Interstate commerce is not just giant corporations; it is also thousands and thousands of small and moderate-sized businesses whose problems ought not be increased by fruitless paperwork. As this study has progressed it has become increasingly clear that these problems are susceptible of a solution which will be good for business, good for the states, and good for the economy of the country."

Can't enforce the unenforceable

The Subcommittee described its analysis of state income taxes as "the picture of a system which works badly for both business and the states . . . a system in which the states are reaching farther and farther to impose smaller and smaller liabilities on more and more (continued on page 55)





PHOTOS: HERSHORN-BLACK STAR

Publisher Agnes Head talks over the coming probe of welfare program with State Sen. Harold Runnels.

WELFARE FRAUDS EXPOSED

Nationwide problem spotlighted
by publisher's crusade to oust
chiselers who get on relief rolls

COVERING A COURT TRIAL for her weekly newspaper, the Hobbs (N. M.) *Flare*, Mrs. Agnes Kastner Head was shocked to hear a man testify that his wife had deserted him so that she would become eligible for public welfare payments.

The man explained that his wife could then qualify for a monthly handout for their children because she had no breadwinner in the house.

Mrs. Head's thoughts flashed back to other welfare abuses. She remembered hearing of people who refused jobs to avoid being taken off the relief rolls, welfare checks cashed in bars and liquor stores, welfare recipients who chronically turned up in court on charges of drunkenness or disorderly conduct. She decided then and there to crusade against misuse of welfare funds.

"I've fought against waste in government for as long as I've had a newspaper," Mrs. Head says. "I believe it's a paper's duty to expose such things, and the welfare situation began to look like one of the most gigantic swindles I'd ever heard of."

That was seven years ago, and Mrs. Head—a small bundle of energy with graying hair—has not let up in her campaign to oust unqualified recipients from the Lea County relief rolls. She has spotlighted a problem which plagues communities across the United States: inflation of welfare rolls by people who seemingly would rather accept public handouts than work to support themselves.

The cost of fighting poverty has grown steadily, and spending under the many federal programs alone now totals at least \$30 billion yearly.



Lea County, N. M., like many other communities, has had its relief rolls inflated by people who are ineligible for aid. They are being weeded out of lines like this one in front of the county welfare office.

A portion of this—more than \$3 billion—goes in federal grants to the states to support joint public assistance programs in which payments are made directly to the poor. Categories include aid to families with dependent children (AFDC), old-age assistance, aid to the blind and to the permanently and totally disabled, and medical assistance for the aged. Federal matching grants make up more than half the total spent. More than eight million people will receive such payments in the coming year.

What government found

Following a nationwide survey two years ago, the Department of Health, Education and Welfare reported that more than five per cent of the families receiving payments under the AFDC program were ineligible. The survey results have produced a number of federal measures aimed at cutting down the number of ineligible recipients throughout the country. In New Mexico the rate of ineligibility was nearly 10 per cent.

Mrs. Head's crusade has brought threats by mail and telephone and loss of advertising contracts, but it has earned her growing support among Lea County residents. Circuit Judge Kermit E. Nash says:

"When you have someone like Mrs. Head in your town, you find that everybody walks a little straighter."

Now 61, the peppery Mrs. Head has published the *Hobbs Flare* since 1948. Hobbs, with a population of 30,000, is Lea County's biggest city.

The land around Hobbs is flat and brown, re-

lieved only by the occasional green patch of an irrigated field. Rainfall is sparse, and nothing taller than mesquite trees seems to grow unaided. The region's wealth, however, lies beneath the ground. The landscape is dotted with pump jacks, nodding in the sun like giant grasshoppers as they extract the oil which makes the county prosperous and provides jobs for those who want to work.

Years of crusading for economy in government have made Mrs. Head some enemies. Her campaign against welfare chiselers has drawn widespread support, however. As Hobbs Municipal Judge Robert L. Bensing told a *NATION'S BUSINESS* editor:

"Even her strongest critics agree with Mrs. Head on this welfare issue. She has done a real good job."

For the past six years—since the state legislature passed a bill opening welfare rolls to public scrutiny—Mrs. Head has printed the list of Lea County recipients in the *Flare* at regular intervals. Welfare payments in the county now total about \$50,000 monthly. She also has exposed specific welfare abuses in a series of articles.

Some of the more flagrant cases:

A retired blacksmith, drawing old-age assistance, was living in a house which he had transferred to his son's name. He was found to have a bank account of \$9,800.

Another recipient of old-age assistance had \$10,000 in government bonds. His deception was exposed when he cashed them in at a local bank.

An oil-field worker and his family began drawing aid for disability and for de- (continued on page 94)

Where free enterprise is building a new frontier

FREE MEN are quietly building a new free economy in this hemisphere in a little known land called Surinam.

This tiny nation is a shining example of self-help, American corporate stimulation and democracy in action.

Surinam is still in many geography books as Dutch Guiana. It sits atop the nose of Brazil, along the south coast of the communist-troubled Caribbean. The country has internal self-government, much like Puerto Rico, but its foreign and defense affairs are handled by Holland.

One factor that makes Surinam's democratic free-enterprise system of interest is her contrasting neighbors.

Next door, to the west, is British Guiana. For nearly a decade, its recently ousted premier, Cheddi Jagan and his American-born, Marxist-steeped wife, Janet, have tried to subvert their country into becoming the first real Russian satellite in the Western Hemisphere. They almost made it and may try again.

Although Jagan was narrowly voted out of office, he and his long-dominant party still have 24 out of 53 seats in the country's assembly-type government. Currently they are again fomenting strikes, burning cane fields and otherwise fostering chaos.

Meanwhile, across the river

Separated from Jagan's British Guiana only by a jungle river, the Surinamers are moving steadily toward goals as constructive as Jagan's are destructive. There is probably not a more graphic side-by-side contrast between communism and democracy than in these two sister Guianas.

On Surinam's other side, to the east, is French Guiana, relic of colonial exploitation, notorious in the past for its Devil's Island prison and now an

Millard C. Faught and Arthur Fairweather, the authors, write from firsthand knowledge of the Guiana region. Dr. Faught is an economist who has made extended trips to Surinam. Mr. Fairweather has led geologic expeditions into the Surinam bush as did his father before him.

inconspicuous barrack locale for the withering Foreign Legion.

All three Guianas are highly comparable socioeconomic-ethnic laboratories in which differing philosophies can be judged, since other factors are virtually equal.

As between British and Dutch Guiana in particular, the extraordinary population mix is highly similar, with people of five different skin colors.

The natural resources of the countries are also comparable. Nature was generous to the Guianas in bauxite and many other ores, in timber and tropical agricultural potentials.

But the similarities do not carry over into current political-economic approaches toward developing natural resources, both human and material.

Surinam's success story has many and varied components.

Holland began preparing its colony for the modern era transition to self-government, with great emphasis on education. Many Surinamers are college-trained in Holland, and visitors are surprised at the number of schools in the capital city of Paramaribo.

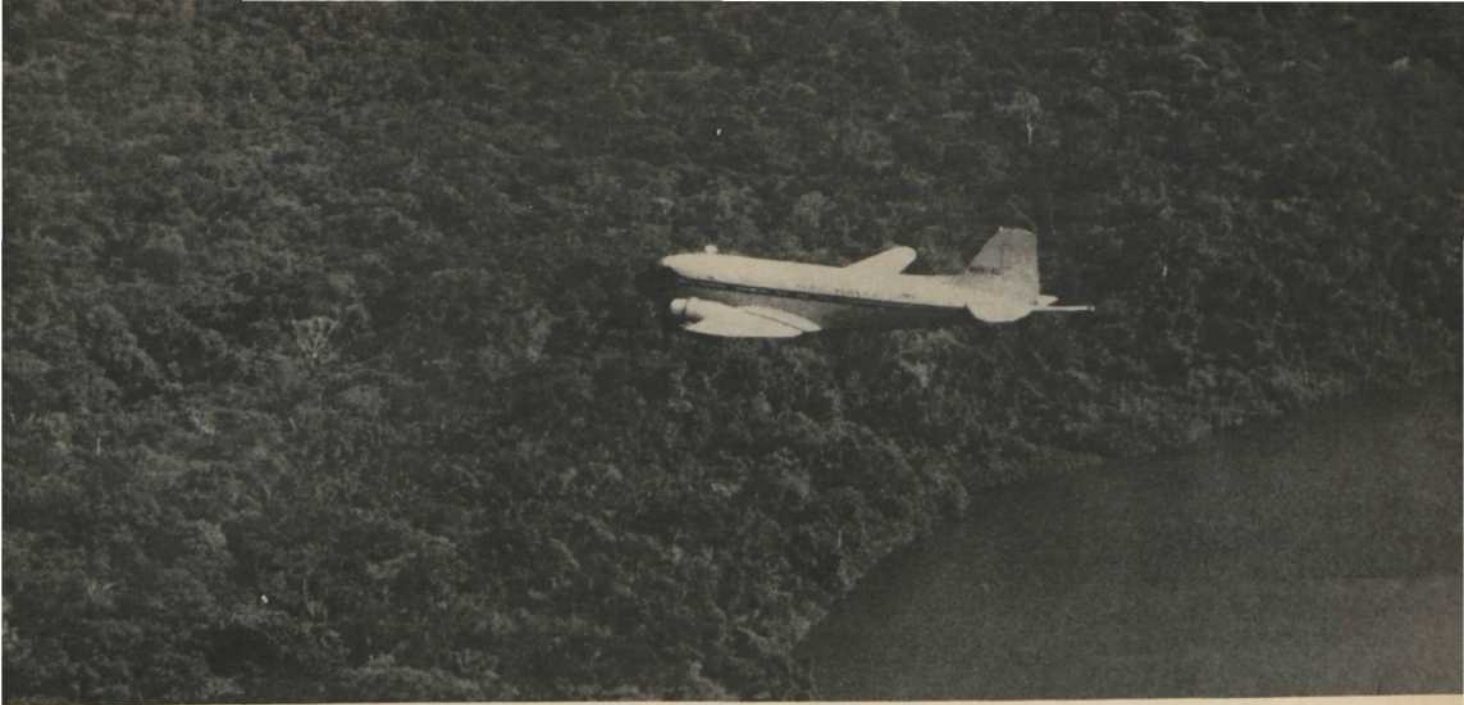
Education has been pursued under a ten-year plan. The Surinamers share in the costs and in the direction of the plan, and have contributed most of the effort in modernizing their tools for living and working together. These run the gamut of personal, family and national needs—from nurseries and hospitals to geologic and forestry research laboratories.

How U. S. helps

There is a large U. S. component in the Surinam success story, too. But in contrast to contemporary patterns of foreign aid and alliances for progress, one company is mainly responsible.

This company, Aluminum Company of America, has had a do-it-yourself alliance with Surinam, reflected in a mutually profitable working relationship, for nearly half a century. Alcoa's bauxite operations generate the lion's share of Surinam's gross national product and have for many years.

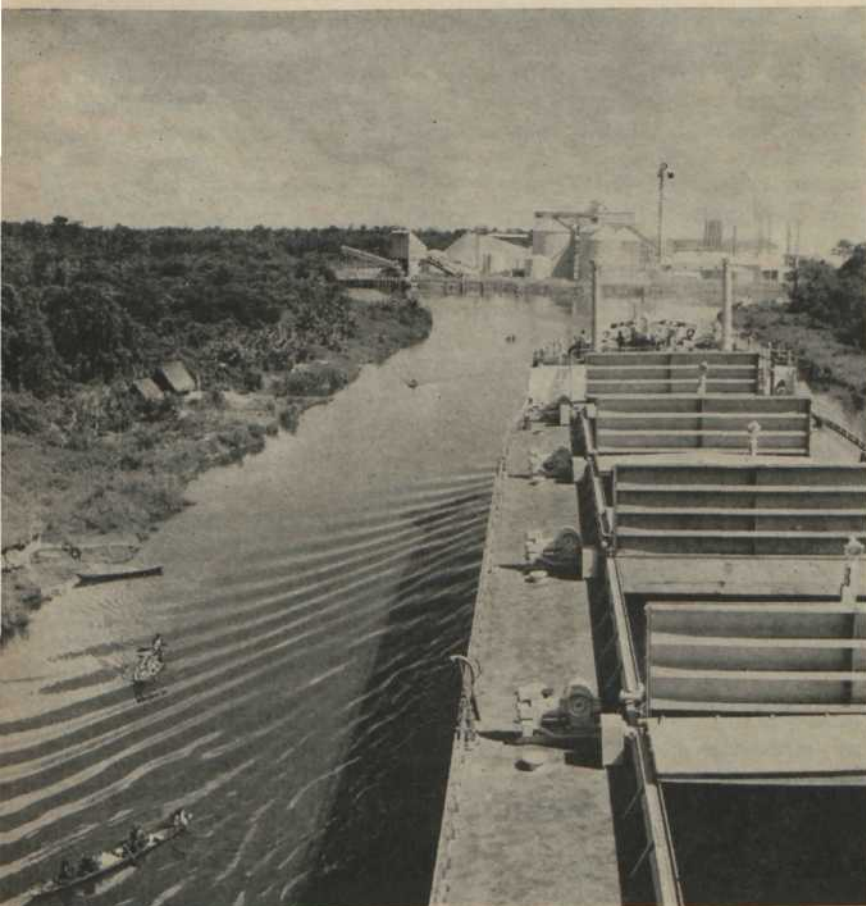
It borders on fantasy to ride a huge Alcoa ore carrier around the (continued on page 93)



Aerial surveys using electronic equipment uncover potential mineral wealth in Surinam's rain forest.

The people of Surinam represent diverse cultures and manners of living in the city and in the bush.

Nosing past an Indian village, an ore boat carries bauxite to a jungle refining plant, a joint operation of Surinam and Alcoa.



PHOTOS: AERO SERVICE, PHOTO RESEARCHERS, FRITZ HENLE, ALCOA



A LOOK AHEAD

Push-button transport rates?

(Transportation)

Banks try credit-by-numbers

(Credit & Finance)

Price of rice in Chinatown

(Agriculture)



Cities all over the country are experimenting with new school facilities (See Construction).

AGRICULTURE

Take it from John J. Kan, genial proprietor of Kan's restaurant in San Francisco's Chinatown, the cost of preparing your Chinese dinner is going up if the Johnson Administration has its way. Mr. Kan's eatery uses one ton of rice a month at about 13.5 cents a pound.

The Administration wants to subsidize rice farmers by adding about five cents to the retail price of a pound of rice. That's nearly \$3 a month for a low-income family of five in Puerto Rico, where rice-eating averages 140 pounds per person per year. And it will add to costs for brewers and processors of cereals and baby foods, too.

This and another controversial feature are turning administration rice subsidy proposals into one of the hottest farm fights of the year. Ramifications reach far beyond the price of rice in Chinatown.

Even more precedent-setting is scheme to pay bigger per-pound subsidy to small rice grower than to large. This rewards inefficient producers at expense of consumers, critics point out.

CONSTRUCTION

Your schools mean business.
Public schools will spend some \$3

billion a year in next five years for capital equipment—buildings, desks, fixtures. So say U. S. Office of Education forecasters. Others say that's too low, peg this year's alone at \$3.3 billion.

Get ready for mold-breaking types of spending by your local school administrators, although total dollars may hold steady. "If going off in all directions is a trend, that's it," says one expert.

Planners experiment. East Orange, N.J., is building an education plaza which will eventually house all kids from grades to junior college in one center, share library, other specialized facilities, make fuller use of top-notch teachers. Pinellas County, Fla., tests value of air conditioning—one of two identical schools has it, other doesn't. So far, test shows air conditioning cuts maintenance costs. Classroom carpeting is also pushed as cost-cutter on maintenance and aid to acoustics.

Construction cost slash could come through system of mass-produced building units that can be fitted together as local architects, school needs vary.

New emphasis on kindergarten nursery schools means new equipment needs. Pint-sized furniture costs more; few companies now make chairs nine inches high, for instance.

CREDIT & FINANCE

Zip codes, area codes, taxpayer code numbers. Now more banks study credit by-the-numbers.

It's a system of numerical credit ratings—so much weight for being married, so much for size of family, so much for kind of job and so on.

Formal rating sheet lets relatively inexperienced person come up with risk judgment for borrowers. He could lend up to so many dollars to applicants who top such-and-such a score. High-salaried credit experts would handle borderline cases, larger loans.

Banks with many branches have most use for system, figure credit experts of American Bankers Association. Scheme lets management analyze, evaluate quality of loans made by its branches.

R. A. Biborosh, vice president of First Pennsylvania Banking & Trust Co., a pioneer in field, estimates 30 banks now experiment with numerical ratings, another 400 ask him for information.

FOREIGN TRADE

European space market may provide first real spin-off of sales from U. S. space technology.

That's the lure held out by Western European aerospace industrial-

ists. Jean Delorme, president of L'Air Liquide in Paris, tells U. S. companies making space equipment, "We come as customers. When I'm behind, I go to the country that has advanced technology and try to buy it." M. Delorme heads Eurospace, an association of 120 European firms in the aerospace business.

Eurospace men want to build a space transporter which would shuttle men, supplies to orbiting satellites.

LABOR

New federal spending programs will boost demands for people with these skills in short supply, Labor Department experts forecast:

Social workers—poverty program sends local governments scurrying for workers. University-trained professionals with BSW (Bachelor of Social Work) degree have had field to selves. Now, less specialized people are being drawn in.

Librarians—school aid will bring new demands. "If you have a library degree, you have it made," says one authority. Companies also sprout libraries, need specialists to preside. Chemical firms want people with degrees in both chemistry and librarianship, for instance.

Recreation leaders—youth work, social programs want people who can run playgrounds, craft operations.

MARKETING

Anyone who thinks businessmen don't give consumers what they want should look at what the food industry is doing in meat marketing with help of government researchers.

It's developing processes which will keep meat fresh longer at store counters and keep it looking fresh as well. This permits greater selection of meats. It cuts down on waste, thus helping hold down prices. And it permits greater use of new central meat processing facilities. [See "A Look Ahead," Nation's Business, April, 1964.]

Anything that attracts meat buyers to a food store is good news to retailers because shoppers tend to buy most of their groceries where they buy their meat.

Shoppers want meat to look just right—beef sells best when cherry red, the color of its surface about an hour after it's cut. Researchers find super cleanliness of tools, work area can prolong this bloom. IGA stores, for one group, rigorously pushes a superclean program among its suppliers, retailers. Smoked and processed meats get a washed-out look in air. So meat companies now pack these products in nitrogen-filled plastic packages.

NATURAL RESOURCES

Looking ahead at proposals for more federal land purchases to beautify America, here's something to think about.

Pennsylvania State University's John Muench, Jr., shows income from locally owned land is three times as helpful to a local economy as is income from U. S.-owned land.

He figures that when a resident in one county of Pennsylvania sells wood equal to the annual growth on an acre of wood lot, he raises the total income of the county by \$13.55.

But a sale from woods owned by Uncle Sam raises the county income by only \$4.14 because most of the money goes to Washington.

TAXATION

Your lobbying activities. You'll want to keep a closer watch on what you do and spend money for as a result of a new income tax regulation. That goes for firms, businessmen as individuals, associations dealing with all government levels.

Internal Revenue Service set new ground rules on what you can deduct as a business expense when you work to influence legislation, other governmental activities.

Key test: You can deduct spend-

ing on issues of direct interest to your business.

What's a "direct interest"? Examples: IRS says retailer's activity on a proposed local retail sales tax is of direct interest. But spending to help elect a political candidate isn't. Issue is of direct interest to an association if it's of direct interest to one or more members.

Yet to come: new rules on deductibility of institutional or goodwill advertising outlays. IRS is working on a revision of present rules.

If you want additional information, contact Chamber of Commerce of the United States, which led fight against much tighter rules first proposed by Uncle Sam.

TRANSPORTATION

A really major aid is coming for just about anybody who ships anything and any company that carries it. When and at what cost to whom are among still unanswered questions.

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One expert estimates it costs carrier and shipper \$2 each to look up rates, shuffle papers, audit bills—all functions computer would perform.

Battelle Memorial Institute is scheduled to report this summer on results of its two-year study of project. Commerce Department is paying the bill. Battelle is expected to say the scheme is feasible and tell how to do it.

Then the researchers will study such questions as who should do the job—government, shippers, carriers, somebody else?

Other groups work on unified codes for transportation industry. A new standard numerical code of commercial products is in use. Code for places is in the works.

continued from page 35



M. J. Rathbone

size of the organization. To the extent that you can give them a feeling of assurance that they are an important part of it, and that what they say and what they do and what they advise is going to play a part in the over-all functioning of the organization, I think this makes them happier and certainly makes them more effective, and it makes the boss more effective, too.

So I suppose the answer largely is: making people believe that they are an important part of the organization.

What really significant changes have occurred since you were a young executive?

Probably there are two basic changes of very great importance.

I think the first one might be that today business is so complicated, there are so many different facets and angles and skills and experiences involved in it, that it has become more and more impossible for one man to attempt thoroughly to understand and know and be skillful in every one of these facets. And this means that a top man today has to realize this, and secondly, he has to learn how to use the skills and the experience of a lot of people, many more than he had to do, say, 40 years ago.

I guess the other thing that I would say is a very large change is—well, the impact that the corporations and larger businesses have on our society and our whole economic picture in this country and, therefore, the great consideration which they have to pay to the effects of

their actions on our society. This is much more the case today than it was when I started in business, when a business or corporation could run fairly much the way it pleased without too much consideration about what impact its actions had on all these surrounding factors. Today you have to give those a very high priority of consideration.

You talked about the need to rely on so many specialists for information. As chairman of Jersey Standard, did you find that most of your time was spent listening to these specialists to gain enough information to make decisions, or was it in planning or what?

Well, it is pretty hard to establish a mathematical formula to say how much of your time went here or there or the other place. The impact of events outside of our control is so great that you have to drop everything from time to time and work on a serious unexpected problem. So your time varies.

But on the whole, I think the chief executive of Jersey—and this is probably true of most other big corporations—spends a very substantial part of his time in hearing reports and listening to the opinions and advice of staff people. He also spends a great deal of time in attempting to coordinate the impact of all of the various functions of his own business, and all of the events which happen in the world that bear on his business, trying to put these together, and trying to plan, let's say, a broad policy or strategy that keeps the company moving ahead on a predetermined track.

This is strategic planning, I guess you would call it. You spend a lot of your time on that.

A lot of time fitting the particular into the broad puzzle?

Yes. You also spend a good deal of time in trying to select people to fit into places.

One of the most important jobs of any executive of any branch of our business, either our affiliated companies or any of our departments and right on up to the board level and the chief executive level, is to perpetuate the best possible quality of management, because a corporation has an unlimited life, and its success is very heavily dependent upon the quality of its management.

Management turns over, retires, dies, and goes to other places. So that you have to keep it moving, keep it alive, keep it effective. And this doesn't just happen. You have

to plan this. You have to develop people.

Certainly 15 per cent, I think, of the time of most of the higher executives is spent developing people, identifying people, planning for their future development.

Have you learned to look for certain qualities at the executive level?

Well, of course, the particular type of job, the particular level, and the atmosphere in which he is functioning—geographic, political, economic, social atmospheres—all bear on it. So the one man who would be fine in Job A isn't the right fellow for Job B or C.

On the whole, though, I think in broad managerial jobs—the executive type jobs—we look for a fellow that, first, has a great deal of objectivity. He can't afford to kid himself and he can't afford to try to kid anybody else. He has got to be very objective.

Secondly, he has to be a good judge of people. And this is not easy.

As a matter of fact, I think most people think they are a lot better judge of horse flesh than they really are.

Thirdly, he has to have good principles; he has to have honesty, integrity and loyalty. This is absolutely vital to filter down through the organization. They have to believe that the man above them, setting the policies, is the right type of fellow from the standpoint of character.

Then he has to be a hard worker. I think most executives work far more than the average employee does. If they are not willing to work, they are not really going to be successful top executives.

Then, of course, he has to be skillful. He has to know a great deal about the business that he is going to manage—transportation, marketing, finance, chemicals, crude oil production—whatever it may be. He doesn't have to be absolutely the most expert man in the organization in that particular field. He has to know it quite well, but he will rely on the staff assistants and staff advice.

Has the time spent on different activities changed much as you have come up through the ranks?

Oh, sure. It has changed a great deal. I think today, for example, higher executives in our company spend a great deal more time in thinking about matters such as government relations and public relations than they used to, because



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LESSONS OF LEADERSHIP

continued

these have assumed more importance.

They rely considerably more on staff advice and staff support and staff performance, as far as the technology of the business is concerned.

What do you recall as one of your toughest decisions as top executive?

It is pretty hard, really, as you look back, to identify any one decision that stood out much more clearly than all the rest.

The toughest decisions probably are the ones that you make when you are younger and have less experience. They are not nearly as important from the over-all impact on the business. They are not nearly as important from the standpoint of the dollars-and-cents impact on the business. But they are very tough to make, because you don't have the knowledge and experience then that you have later on.

The decisions you make when you get to be chief executive are much more important. But you have acquired by that time, between the early days and the later days, a lot of experience, a lot of poise, a lot of just general confidence in your ability to make decisions, which you don't have so much when you are younger.

Decisions in recent years have involved very important, very broad matters, such as whether to do business in a country or not, or whether to withdraw from a country where we already may be doing business and have very large investments.

I think those are the most difficult types of decisions you have, because they involve not only a matter of investment or sales or a certain volume of business but also the welfare of a lot of employees.

Another type of decision, which you very frequently have to face up to, is whether to go for a new form of technology.

I remember one decision that we made during World War II, which was extremely difficult and very important. It was terribly important that we have adequate supplies of the best possible quality of aviation gasoline.

Our research people had done a lot of research on a process that they thought would provide a lot higher quality of aviation gasoline.

There were no plants producing this type, and the only plant we had was a small research unit.

We had to make a recommenda-

tion to the United States government as to whether this plant would or would not function if translated to a large scale. It would involve hundreds of millions of dollars and, if it didn't work, our country would have bet on a process that turned out to be a failure. It could have had very serious repercussions on our war effort.

So that kind of decision—whether to recommend to your government going a completely new technological route—that's a pretty tough decision to make.

We made this one, and it worked satisfactorily. Everything worked out fine. But those are the ones you sweat over.

In preparing to make important decisions, how do you know when you have enough information and it becomes apparent that this is the right decision?

Well, if you know you are right, you don't really have to make a decision. It answers itself.

What you have to do, of course, is to get in all of the available technical information you have and discuss the matter with all of your people that have the most ability to make comments on the proposal, whatever it may be, and then somebody has to sit down and weigh all these things together and say, now, we are weak here and we are strong here. On balance, I think that this is the right way to go.

So that you never—you almost never—have enough information on a decision to be absolutely sure.

Mr. Rathbone, do you find that you ever worry after you make a decision?

The time you worry about decisions is before you make them. After you make them, quit worrying about them, because you have used the best judgment and the best information, the best data and the best advice that you can get. Once you have done that, you have made an honest effort to take everything into consideration, you go ahead and make your decision, then you try to live with it.

What have you found is the best way to go about thinking of the future and appraising it?

Well, I think one of the things that we believe in rather strongly in Jersey is to use several groups of our people, a scientific research group, another an economic group, a third one may be a political type of group, and a fourth one might be a commercial type of group. These groups set their sights down the

road, say, 10 or 15 or 20 years, and make assumptions as to what the impact on the business would be if things in these various fields move in one direction or move in another.

Now, these are all pretty much long-range, out in the wild blue. Sometimes when they make their reports to the board or to the executive committees, your hair sort of stands up on end, and you say, "Holy mackerel, these guys are a little bit wild."

Nevertheless, this is the only way in which you can get your mind channeled far enough ahead to try to sense important changes in your business, and then to try to plan how you accommodate to those changes.

This is not exactly long-range



planning. It is long-range thinking.

And then you take that long-range thinking and you do your planning which, of course, is on a much shorter term to adapt itself to what this long-range thinking is.

We normally are thinking in terms of about 10 to 20 years ahead.

Right now we have a study group which is thinking ahead in connection with the international oil industry as a whole, to try to visualize what this will look like, say, 50 years from now when the impact of other forms of energy, such as nuclear energy, are coming much more into the picture.

In your experience, Mr. Rathbone, do you have to live your job almost all the time or can you leave your work at the office?

Well, I can answer that very quickly. You don't leave it at the office. I think the farther up the line you get, the less you leave at the office, too. It is just a part of your life, and you just don't lock

the door on a part of your life when 5:00 o'clock comes.

Do you find it is necessary to get away and relax on occasion and attempt to forget about things?

Oh, yes. I think that any executive that works hard, and we all have to, and makes difficult decisions, wrestles with tough problems, gets wound up pretty tight every once in awhile, and if he hasn't the ability to unwind and relax, and get some change of pace, why, it is going to be pretty hard for him to keep going.

You play golf yourself, don't you?

Yes, I play golf. I think golf is a fine relaxation. And when people talk business on the golf course with me, why, of course, I don't play with them again.

You have a reputation of being quite an imperturbable gentleman. Do you find any way that is best to stay calm in a crisis?

Well, sometimes it doesn't show on the surface, I think, whether you are calm or not.

I think this: Some people fly up in the air and get terribly upset about things. So their associates get upset.

And I've concluded that one of the important things about leadership in business is to not give your associates, particularly people down the line, the impression that you are all upset. You have to learn to stay calm and, at least outwardly, to appear to be calm; because if you don't, then you get a little panic wave all through the organization. And this is bad. Everybody else gets upset, too. It is pretty hard to do anything very constructive with an upset organization.

What do you think has made you successful?

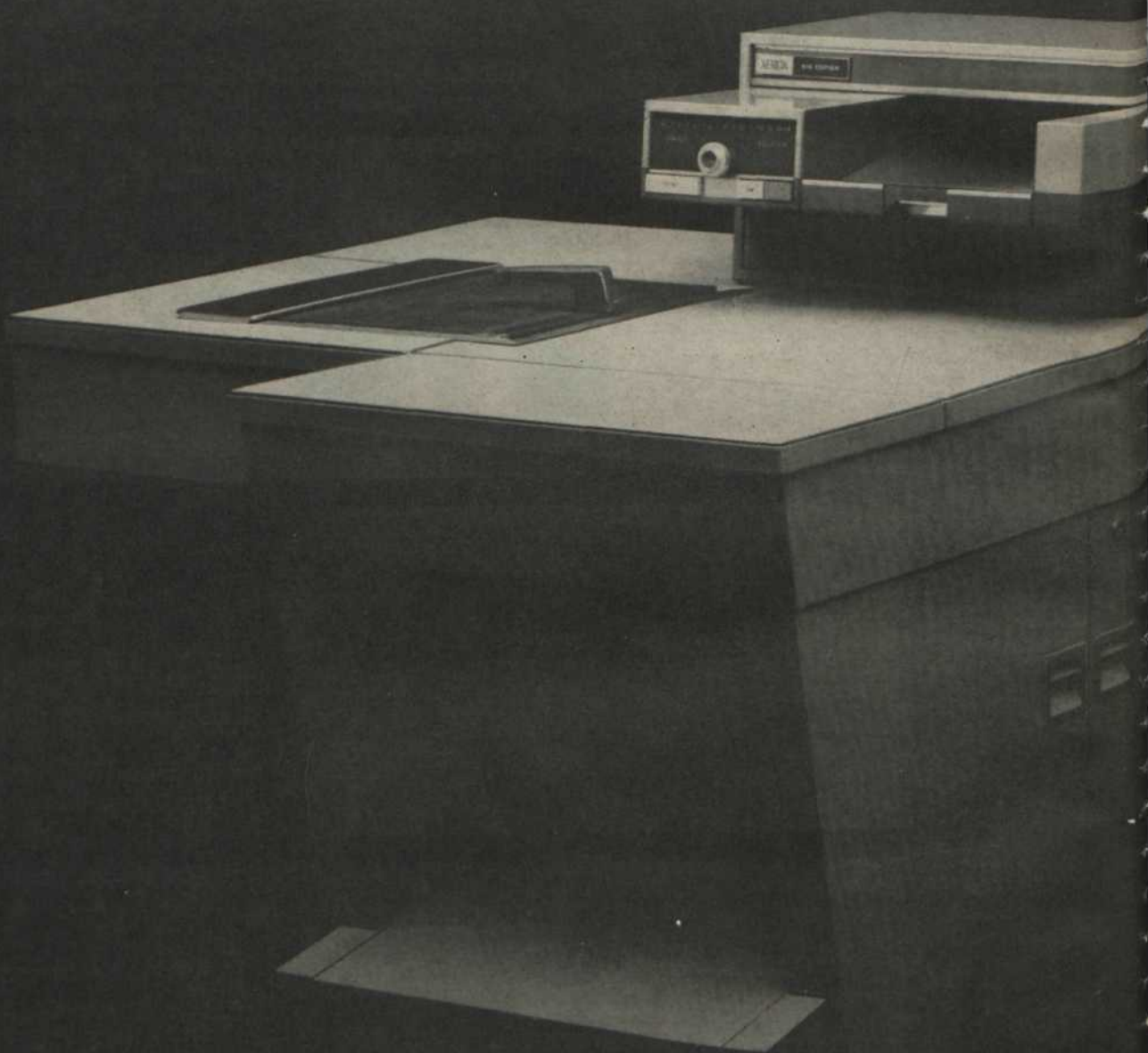
I have a very firm feeling that I have been fortunate enough to have people work very cooperatively and very effectively with me. I don't think any one man can claim the credit for the success of a big organization. Certainly he can if it is a small company; he is "It." But in a big company, no one man can claim all the credit for success.

If you are able to get a lot of very effective and intelligent, productive people working cohesively together, this is what makes success.

Of course, the chief executive is responsible. He has to be responsible for whether that happens or not. If he is able to get that sort of cooperation, get the most out of the

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LESSONS OF LEADERSHIP

continued

people in the areas that they have something to contribute, then I think he is going to do a good job.

Have you found in your years in business, that there is a best time to think and plan your day?

No, I don't think so. As a matter of fact, in our business we might plan this way, but the plan won't last very long. You can walk in the office at 9:00 o'clock in the morning, and at 9:15 something you didn't have any idea about will rise in the way of a pretty important problem or crisis. So what you do is you give priority to the things on the basis of your judgment of what has the highest priority.

Have you found any particular technique that is best for keeping in touch with everything you need to know about your business?

This goes into the question of organization. Jersey is a company that operates practically all over the free world. We have some 250-odd affiliated companies of all kinds. It is perfectly clear that it is impossible to operate an organization of this scope and this diversity where too many of the bits of information center in one man or two men or three men.

So what we do—and our new organization, I think, is the best adapted to our problem we have ever had—is to set up the world into various regions which seem to have some logical divisions. Then in those divisions of the world we have subdivisions, again on the basis of the functions of the business or the geography of the business or whatever it may be. Each one of those we head with the best man we can find to do that particular job.

Then those men all have a channel of reporting to higher echelons of responsibility and authority, and this all finally comes together at the top, basically in two or three committees.

And it is the job of these committees to appraise the information, the recommendations, the problems, investment programs, the whole gamut of our business, and to make sure that all of the aspects that are important are brought into the picture and weighed.

Now, when I say all the aspects, I mean the technical aspects of it, the commercial aspects of it, the political aspects, the legal aspects,

the impact on employee relations, the impact on relations with governments involved, the effect on your customers, and how it fits into your whole, broadly established policy of doing business.

These committees do this job through the use of a lot of very expert staff work, and finally they make a recommendation to the executive committee and the board of directors. And the chief executive sits in on that, of course. Those recommendations are then reviewed and weighed and appraised, and finally a decision is made.

Now this, of course, is with respect to very big and important matters, because all the way down



the line we provide for a delegation of authority and responsibility, so that you don't have to have decisions for less important matters come to the top side.

And we believe in delegation of authority and responsibility to the maximum extent you can.

If you had it all to do over again, is there anything you would do differently?

Well, I would certainly want to work in the same industry, in the same company. I can't imagine anything that would be more exciting and challenging and interesting than working in the oil business and working for Jersey.

Now, I think that anyone that looks back and says that he never made any mistakes is a liar. So there are things, of course, that I would want to do differently. But I don't think that I would make any great change in what I have done. I think that I have been highly pleased except for the mistakes that every man makes.

I wouldn't want to make those mistakes again, but you learn by those. In fact, you can learn a lot

more by your mistakes than you can by your successes.

Do you feel optimistic about the future of business generally, as a part of society in this country?

Well, I think very strongly that the world is moving ahead at a very rapid pace.

I think one thing that is the most important of all is probably the matter of better education of people. Certainly, the more people, the better educated they are, the better they can cope with the problems that they are going to have to cope with in the world. There is, of course, a steady improvement in the educational level all around the world.

Education, basically, should broaden a person's perspective and make him a lot more objective than he is when he's not so well educated.

So I think this is a broad trend that is moving right ahead, and this is all to the good in making the world a better place and helping us to keep up with these tough problems around the world.

As far as business is concerned, I think business has assumed over the last 20 or 30 years, and will continue to assume even more in the future, a place of tremendous importance in the world. Because business firms today are able to make great contributions to progress in all sorts of directions.

Certainly we can make a tremendous contribution with respect to education. We can also make a tremendous contribution with respect to feeding the world, and this is another of the big problems, because we don't have enough food in the world.

We will be feeding them with oil some day, oil by-products?

That is right. I am very optimistic in this. I have been personally quite interested in pushing this development of food supplements from oil. And Jersey is very heavily involved in the food end now through our agricultural developments.

We are getting into the fertilizer business pretty heavily. We are using a lot of research to develop things in this field.

We think that we can improve the productivity of soils and increase the productivity of food from, oh, almost any place, by some of the methods and some of the products that we have developed to help in food production.

I think another thing of impor-

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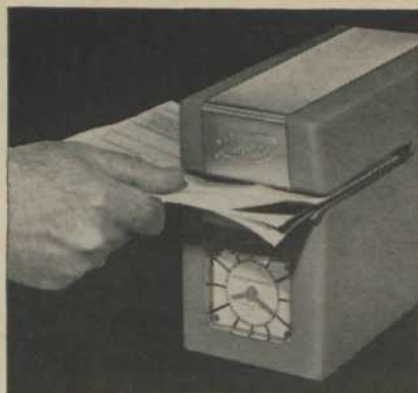
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LESSONS OF LEADERSHIP

continued

tance is that certainly the growing technology that is coming into the world today is a fascinating thing; and it is moving at such an explosive pace no one can really tell how far technology is going to take us in all sorts of different directions.

The direction and the implementation of these technological developments falls in the lap, largely, of business.

Governments don't quite agree with this viewpoint in most places around the world; they feel that government should play a very important and sometimes a predominant part in this. But I don't think so myself.

I think that the intelligent governments are going to present to business an atmosphere in which business can function, in which business can adapt this explosive technology to the needs of people, and they will move along a lot further and a lot faster that way than if it is done just through government channels.

And the world is full of examples of it right now. There are dozens of them.

Mr. Rathbone, have you come to any conclusions as to some rules that you think are basic for success, that you could pass along to the younger executives coming up now?

This is a very difficult question to answer.

There are certainly some very basic things that have probably been basic for generations and are still basic.

The first thing I would say is you really have to be objective. And when I say that, I mean you have to be honest with yourself, because everybody knows down in his heart whether he has strengths or weaknesses.

Most of the time people are not willing to admit this.

They try to hide weaknesses or to gloss them over or to play them down.

Objectivity of an individual is pretty much number one, I would say, for somebody moving along.

I think the second thing is that I am very, very strong on this idea of believing that people only succeed if other people try to help them.

And the only way they can try to get other people to help them is to help other people, try to be

cooperative instead of refusing to accept ideas or help from anyone else. This is a very basic rule that any young businessman ought to keep very high on the list.

Keep his mind and his ears open to any suggestions?

It is just a question of not thinking that he can do it all himself. Other people have to help him. You get ideas from other people and you get performance from other people, and they implement your own ideas and they help your performance.

If you can't get cooperation and help from other people as you yourself are trying to move ahead, then you are not going to move the best.

And certainly I think that honesty and honorable performance, honorable character is important, because I don't believe that cutting corners and trying to take advantage of people in improper ways is any way to get ahead in business.

Working harder than you are supposed to work is very important. I don't believe anybody ever gets truly moved ahead in any line of business or any other line unless they work harder than might be normally expected.

And education, too. One of the things that is terribly important is more and more education.

When I say that, I don't necessarily mean just more book learning or more high levels of college education or things of that type, but educating yourself on the whole environment that you live in.

You see so many people, for example, who are interested in the United States but they are not interested in international affairs.

But what happens in the rest of the world more and more has an impact on the United States.

The people in the United States ought to be more interested in the world than they used to be. They are getting that way, and this is probably one of the most noticeable changes that you can see today. People in the Middle West and young people in college, and women in the women's clubs, and all sorts of groups of people in our country are becoming more interested in what goes on in the rest of the world. This is education. **END**

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Which doesn't mean, of course, that anybody actually intended to carry those conspicuous red symbols.

And that's the point at which our sales

chief outfoxed himself.

To positively insure that the new briefcases did get carried, he ordered all the salesmen to mail their old briefcases to him. And dutifully they did.

But they didn't send the good, usable cases our sales manager expected to see. They sent wrecks of briefcases excavated from cellars and exhumed from under spare tires in car trunks. Which does leave the home office still in some doubt as to what exactly our salesmen are carrying these days.

Anyway, we do have to grant our foxy-but-not-foxy-enough sales chief one thing. Since he took office, Olin's cellophane sales have soared. Some people suggest it's because we make good cellophane. Others say it's because our salesmen take such good care of our customers. But Chief Yellow Shirt won't hear of it. He insists it's all because of those damn red briefcases.

Olin CELLOPHANE
PISGAH FOREST, NORTH CAROLINA



TOO MANY TAXES

continued from page 36

companies . . . [and] which calls upon tax administrators to enforce the unenforceable, and the taxpayer to comply with the uncompliant."

In addition to the inequity of double taxation from the sometimes overlapping tax laws of different states, interstate companies are faced with the often impossible burden of trying to conform to the vagaries of a wide variety of tax regulations. Many of these regulations attribute taxable income to the state where a firm's customers are, but require the out-of-state seller rather than the customer to collect sales and use taxes. For this reason, a company frequently must file tax returns in states where it has little or no facilities.

Take a specific case:

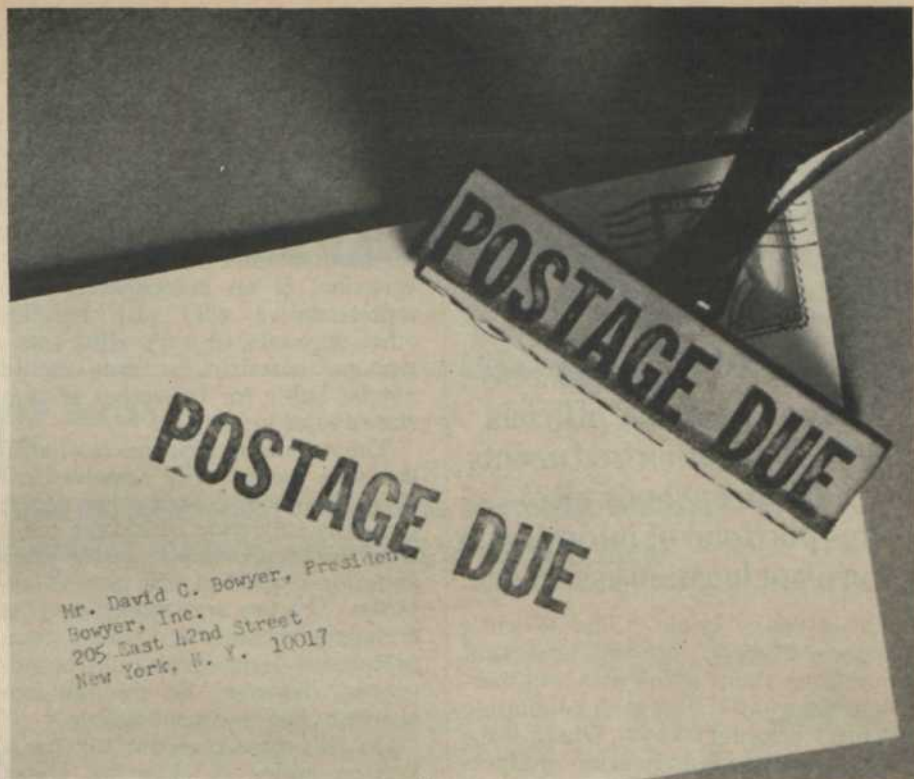
John Royle & Sons of Paterson, N. J., a firm whose principal product is extrusion machinery for rubber and plastics, is fighting a \$15,000 use tax assessment by California. The state claims that the company should have collected taxes from its California customers on sales made since 1957.

The company has no office or plant in California. It deals there only through an independent sales representative. The firm maintains that it shouldn't have to act as a tax collector for the state. Besides, the firm says it has found that virtually all of its California customers paid the tax themselves at the time of purchase.

"It's our contention that California is violating our rights as a New Jersey corporation in trying to force us to collect taxes for them," says John C. Ramsey, vice president of the company.

California law states that "the tax required to be collected by the retailer constitutes a debt owed by the retailer to the state." When John Royle & Sons refused to pay this "debt" the state moved to attach its accounts receivable from California customers.

One customer was a New York manufacturer with two plants in California. It informed the state that there were no accounts owed to John Royle & Sons at its California facilities. The state then ordered the customer to withhold payment from accounts due John Royle & Sons elsewhere in the country. Rather than have its accounts receivable tied up, John Royle & Sons paid the assessment under protest but is filing a claim



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POWER CORPORATION**

TOO MANY TAXES

continued

for refund. This case illustrates one of the points of contention which concerns many businessmen: They think that a company which sells in another state only through advertising, or an independent sales representative who also handles other accounts, or a traveling salesman not based in the state should not be liable for collection of that state's sales taxes.

The question of income tax liability was temporarily resolved in 1959. Congress passed a law which prohibits collection of income taxes from companies whose sales in a state are limited to this type of activity. The law was passed only as a stopgap measure until more comprehensive legislation could be approved, however. So the problem is again under consideration.

On the sales and use tax question, a series of Supreme Court decisions has done little to clarify the issue. In the most recent decision, the Scripto case, the Court in 1960 ruled that the Georgia corporation, which had no facilities or employees in Florida, was liable for collection of Florida's tax on sales solicited by Florida jobbers and wholesalers.

Businessmen have told the subcommittee they want to keep the 1959 law and extend it to cover sales-use, as well as income, taxes. Eleven states now require collection of use taxes by firms which solicit only by advertising. Experts point out that this places a prohibitive burden on smaller companies.

"The states are greatly expanding their collection activities. They are attempting to force sellers who do business in foreign states only by mail order and advertising to collect taxes," explains Wendell C. Spear, president of the Spear Engineering Co. of Colorado Springs.

"This is going to affect our business adversely. We are told by legal counsel that such impositions on us might well be unconstitutional and invalid. This is small comfort to us since we do not want to, nor can we afford to, engage in long legal contests with several states.

"Unless Congress acts to clear up the situation, the Spear Engineering Co. will run rather deeply in the red and might cease to exist as a manufacturing concern."

Mr. Spear's firm makes and sells nameplates for mailboxes, desks, doors and the like. It develops busi-

ness entirely by advertising, largely in national magazines. The company handles about 100,000 orders a year, with an annual sales volume of approximately \$400,000.

The total tax on his merchandise would not exceed \$8,000, Mr. Spear estimates. But it would cost his firm between \$20,000 and \$30,000 yearly to collect and report this tax to the various states.

We'd go out of business

Another businessman declares:

"It is our urgent plea that Congress will now exercise its power to regulate interstate business." He is Robert B. George, owner of the Harp & Kettle Cheesehouse in Madison, Wis., which mails gift cheese packages throughout the country.

"We think that it can and should put an end to this threat to our business and relieve us of the uncertainty of some day being called upon to pay up some nondeterminable tax which even now may be accumulating. We cannot otherwise hope to continue in our present type of business."

Mr. George adds that the Wisconsin Gift Cheese Association has conducted a survey of its members on the impact of state taxation of interstate commerce. Nearly every firm answering the questionnaire said, "The additional expense of trying to comply with laws of other states would put us out of business."

The difficulties of a company which manufactures calendars and sells them nationwide through local brokers are described by D. W. Hair, secretary-treasurer of Shedd-Brown, Inc. of Minneapolis:

"When a small company such as ours becomes involved in multiple state and county taxes, it can become a real and complicated problem. We have 36 states where we must attempt to keep abreast of the rules and regulations.

"The legal cost is intolerable; yet the cost can become greater if through ignorance a company has not lived up to a given state's interpretation of its laws even though that company is honestly trying to comply. The abuses of these interpretations are just beginning, and already we are preparing 300 use tax returns for states other than our own."

The complications and expense of complying with the bewildering variations in state tax laws are also a serious problem for larger corporations.

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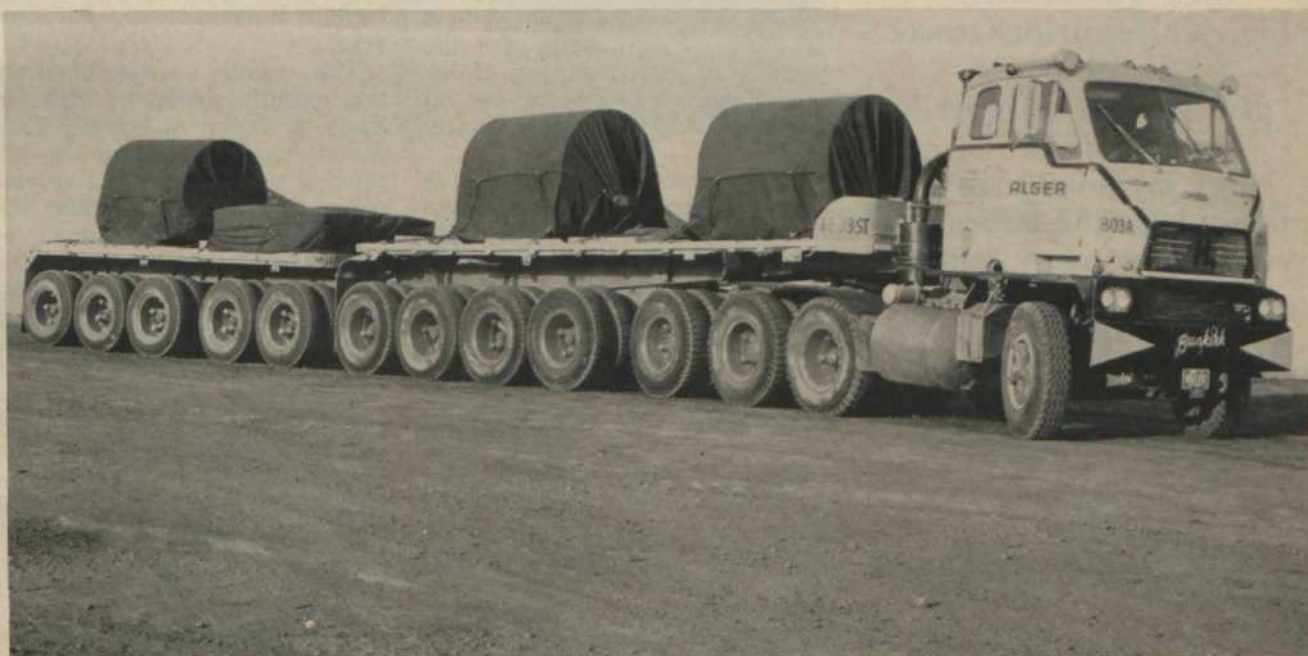
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TOO MANY TAXES

continued

than a factory, administrative office or warehouse in a state, it first will have trouble figuring out whether its operations there make it liable for taxes. In some states, for example, a company may become liable for income taxes because it uses a telephone answering service as part of soliciting orders by salesmen.

In other states, it need not pay tax even though it has a complete sales office in the state.

Once a company decides that it owes taxes, it then has the problem of calculating how much. Deductions, credits and exemptions vary widely among the states. There is also the question of how much of a multistate company's income is taxable in each state. Different formulas are prescribed by different states for calculating what portion of income they claim should be assigned to them.

"By its very nature, this is a matter which calls for a single, uniform rule for all states," the Subcommittee on State Taxation declared. "Yet the fact is that today each state prescribes its own set of rules for dividing income and, while similarities in the treatment of particular problems may be found among shifting groups of states, the over-all situation is chaotic."

Income apportionment formulas based on one, two or three factors all are in use today. A three-factor formula calculated from property, payroll and sales in the state is the most common. But here the businessman finds a number of differences in what should be included in each factor, particularly in sales.

"As a practical matter, it is simply impossible for a business operating in many states to comply literally with all of the sales allocation requirements," says Leonard E. Kust, general tax counsel for Westinghouse Electric Corp.

Cost to Westinghouse—\$170,000

"I know from our own experience, prior to a determined effort to bring the whole matter under reasonable control through the use of the most advanced electronic data processing methods available to us, that the task is impossible without incurring a wholly unacceptable compliance cost."

Complying with state and local income tax laws costs Westinghouse

about \$170,000 a year, Mr. Kust says, on taxes of more than \$3 million. In some jurisdictions the expense exceeds the taxes Westinghouse pays.

"In view of the relative rigidity of the cost of compliance, it is to be expected that in smaller companies which do a wide interstate business this cost is relatively greater than ours," he adds. Mr. Kust estimates that Westinghouse's compliance expense would be cut by 35 per cent if tax bases and allocation formulas were made uniform.

A California taxing principle causes particular trouble for large corporations. B. Frank Spicer, manager of the tax division of the Aluminum Co. of America, explains:

California taxes corporations on the unitary concept. It disregards corporate entity in the case of parent and subsidiaries.

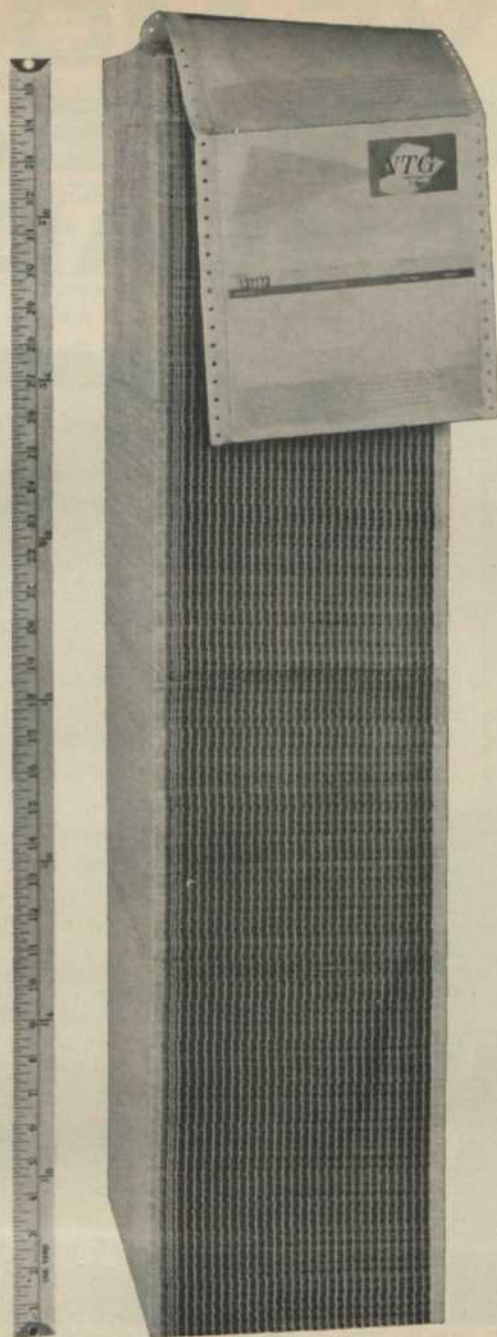
Alcoa and two of its subsidiaries are now doing business in the state of California. But "we are required to file a combined return, including 27 subsidiaries of this affiliated group," Mr. Spicer notes. "This includes not only domestic companies who have no activities nor derive any income from within California, but also includes foreign subsidiaries whose source of income is entirely without the United States."

A number of these domestic subsidiaries are paying tax on 100 per cent of their income in states where they operate. "Yet we are compelled to include the income of these companies in the California return where, on an apportionment basis, it is again taxed," Mr. Spicer says.

The country's newest sales-use tax, recently passed by New York State, is drawn so broadly that it would impose a tax on the retail price of products which a company manufactures and then uses itself, if these products are also for general sale. The tax in other states is based on the cost of materials in the product.

"Today the businessman is placed on the horns of a dilemma," the Subcommittee on State Taxation asserted in its report on income taxes. "He may file returns wherever due and precisely as due, at costs which would completely overshadow the amount of tax involved. Or he may live under the threat of litigation, back liabilities, interest and penalties."

"The resulting situation is as unsatisfactory for the tax administrator as it is for business." **END**



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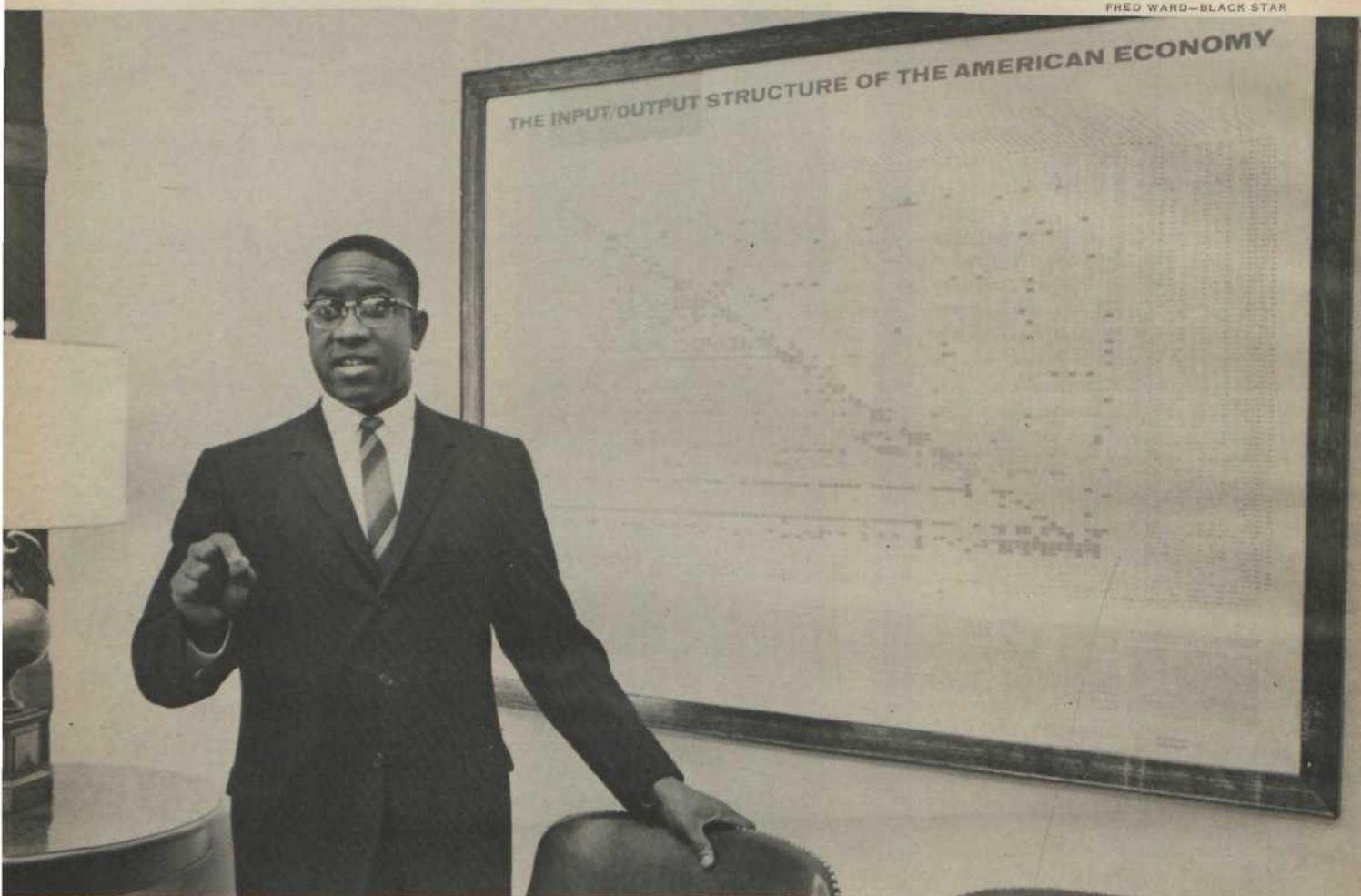


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FIVE MORE BOOM YEARS AHEAD

FRED WARD—BLACK STAR



U. S. Commerce Department's top economist
tells why in this Nation's Business interview

GOOD BUSINESS will prevail for the rest of the 1960's, in the judgment of a government expert whose job it is to keep track of every shift and turn of the American economy.

He is Andrew F. Brimmer, 39-year-old Assistant Secretary of Commerce for Economic Affairs. Interviewed by editors of NATION'S BUSINESS, he predicts steady improvement in the nation's ability to provide jobs for its growing population and incentives for its private enterprises.

While he foresees the possibility of fluctuations in

business from now through 1970, Dr. Brimmer believes these will be only mild interruptions in a strong upward trend. He sees no need for massive new federal spending as a prop to good business.

A native of Newellton, La., and Harvard-trained, Dr. Brimmer entered government from the faculty of the University of Pennsylvania's Wharton School of Finance. He has been the Commerce Department's top economist since March.

At present he is deeply involved in work on the nation's balance of international payments deficit.

He also is the Commerce Department's chief liaison with the President's Council of Economic Advisers and he heads the U. S. Office of Business Economics.

Dr. Brimmer, as a top adviser to government on business affairs, what do you consider the prospects for prosperity between now and 1970?

We are now in our fifth year of business expansion. I am optimistic about the future. One ought to be cautious in looking ahead to the next four or five years. Nevertheless, it appears that a number of factors will sustain prosperity.

First, I look for the rate of increase in productivity to continue at a high level. In fact, there is evidence that worker efficiency may be accelerating. It certainly is not declining.

Second, it is evident that we will have a substantial increase in the nation's population. The labor force is swelling as young people leave high school and college to move into jobs.

In spite of what you hear about school dropouts, there is a steady increase in education and personal capability. And this is improving the skills of people. Another encouraging sign is the fact that we have begun to eliminate some of the impediments—such as racial discrimination—to fuller employment.

I see our markets, especially those involving consumer goods, growing and deepening in the years just ahead. This will mean more opportunity for business.

Some interesting changes are taking place in our markets. Not only will there be opportunities for business to supply the goods and services older people want, but opportunities in the youth market will be tremendous.

Do you foresee rising levels of income?

Definitely. This is happening now and has been for some time.

I'd like to say something more about our changing markets. They're going to warrant very close attention by market research people.

Incidentally, I am very much interested in the impact of market growth on the demand for capital equipment. We expect to be doing more research on this.

What's the outlook for spending by business?

We've had a huge increase in capital investment—which now exceeds \$40 billion annually. Plant spending this year will rise by perhaps 15 per cent. It rose 14 per cent last year. These are tremendous rates of investment, most encouraging for what they'll mean in the future.

Undoubtedly there will be a rising demand for capital as well as for consumer goods.

Then your attitude is one of general optimism?

Yes, but I don't want anyone to conclude that I believe we will have an era of continuous prosperity without any reverses. The pace of business will vary from time to time—reflecting inventory changes and

cutbacks in major types of spending. But I do not expect another depression like that of the 1930's. In the meantime, there certainly is room for improvement.

For one thing, the rate of unemployment in the country, at 4.9 per cent, is still higher than most of us would like to see it. Among young people in general, it is running as high as 15 per cent, and it is more than 20 per cent among nonwhite youths.

I think, too, that we will have to give careful attention to what we call fiscal drag.

The rate of growth of government revenues, even though we reduce taxes, is so great that the government ends up collecting tax funds so fast that the level of private spending—given the drag on after-tax income—is not sufficient to maintain prosperity.

Would an additional tax cut help to reduce fiscal drag by giving people more money to spend?

Yes, that would help. A judicious mixture of tax reductions and spending would be helpful.

I feel that not only additional tax reduction, but new combinations of spending will help. What the trade-off ought to be between collecting a dollar less or spending a dollar more is a question I wouldn't want to go into without more analysis than we can pursue at this time.

Dr. Brimmer, what effect will the higher payroll taxes going into force next January have in terms of fiscal drag?

Undoubtedly those tax increases will act as a depressant on business—how much we don't know.

You'll be watching that one?

We'll be keeping a close eye on it for the rest of this year.

The government will be responsive to the needs of the economy, and we hope excise tax reduction, in the neighborhood of \$1.75 billion, will have a constructive influence. Higher social security benefits which may come along later this year will also be helpful.

But there remains one overriding uncertainty: We'll also have to keep an eye on the steel situation. We must not be blind to the possibility that an inability to reach a workable settlement in the steel industry could adversely affect the economy's performance.

Just one other thing about that. I wouldn't want to be in a position of making recommendations for a steel settlement; that is not my responsibility. I am simply saying there are potential developments on the domestic scene that could seriously affect the level of economic activity—independently of the higher payroll taxes effective next January.

Do you think business will move strongly ahead chiefly by its own momentum rather than as a result of government action?

Yes, there is basic strength in the economy itself. The government plays a role, but I certainly do not believe it will be necessary to expand drastically the

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BOOM YEARS AHEAD

continued

sphere of government. When I say drastic, I mean that really I do not expect any appreciable increase with regard to government's share of gross national product.

Do you expect government spending to decline?

Perhaps not in absolute terms—since the population is growing. But, federal spending in proportion to gross national product has already declined. Spending by state and local government is increasing.

One thing that is happening even now—and we'll see more of this—is greater federal spending for development of our human resources. More spending for education, medical care, the antipoverty program, things of that kind.

One has to remember that in an economy as dynamic as ours, there always are new priorities. There is no point in continuing to work on the basis of last year's priorities.

We might end up spending more, but the total should not rise much. Many of us feel it won't. We feel there is always an opportunity to make improvements within a given budget.

How do you feel about the kinds of wage settlements being made?

Attention, at the moment, seems to be focused on steel. But there are others. First, of course, the automobile settlement of last fall. It caught the imagination. That was an increase in the neighborhood of four and a half to five per cent.

Whereas productivity in that industry might exceed the efficiency trend for the economy as a whole, the settlement didn't leave me as comfortable as I would have liked. But the automobile industry is strong.

In the meantime, there are other settlements. Some of them—the can settlement, for example—seem to be more in line with the guideposts than others.

We are hopeful on steel. It's obviously a key issue.

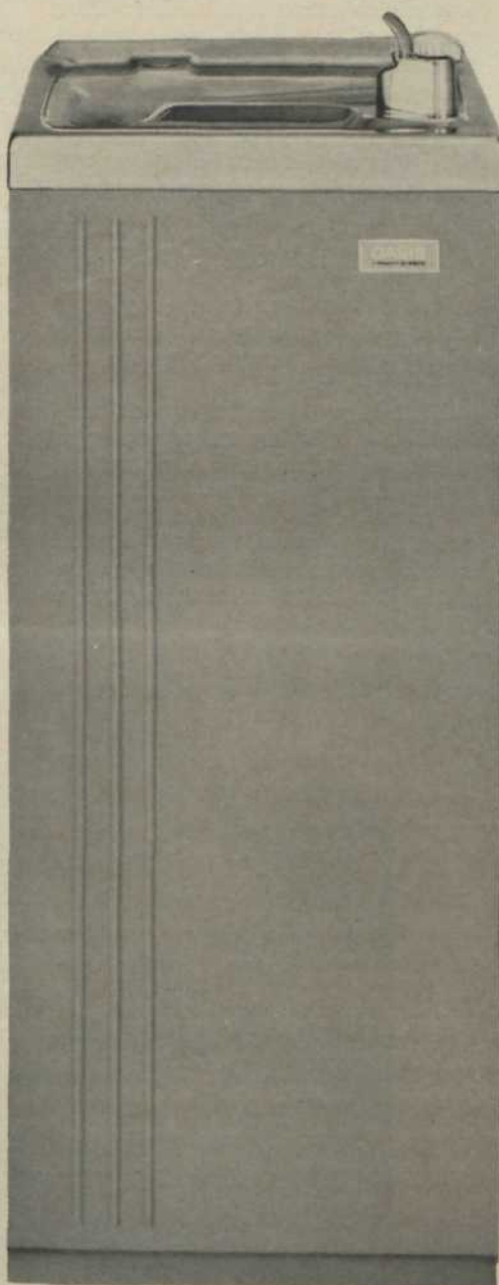
Looking four or five years ahead, what do you expect in the employment picture?

We have been having some gradual improvement. I hope it will accelerate.

I think the momentum for improvement is building up. We have gotten unemployment down to a



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BOOM YEARS AHEAD

continued

very, very low level for male heads of families.

Around three per cent?

Less than three.

As I already mentioned, our most troublesome unemployment is concentrated among young people, particularly among the young, non-white females. I hope we can make more progress there, but the task will be a tough one. This summer we will have to find jobs for about 1.2 million youths entering the labor force for the first time.

In the over-all sense, however, we have witnessed heartening growth in the number of jobs. Look at the experience since April 1961: The number of jobholders has increased by 5.3 million. This is an impressive growth in the number of people holding jobs.

Dr. Brimmer, doesn't the general improvement in employment suggest that automation has had a much less harmful effect on employment than has been claimed by some?

Yes, I would certainly say so. I don't look upon automation as a job-destroying monster roving the economy as a whole.

I think we should look upon automation as doing a number of things. It increases capabilities; and as capabilities rise, management can do more. A large insurance company is a very interesting case in point; though extensively automated, employment is much higher.

This raises an interesting question: What would the requirements for clerical labor have been in the absence of automated equipment?

The fear that automation might throw people out of work has been overplayed. Of course, there undoubtedly has been some substitution of machines for manpower, in particular situations, but I am skeptical about the extent to which automation eliminates jobs—on balance—when we look at the total economy.

Do you think four per cent joblessness is a realistic national goal?

No, I don't. Four per cent is too high, but obviously one per cent is too low.

Unobtainable?

We might get it under forced draft. But I don't think an economy as complex as ours can very easily reach only one per cent unemployment.

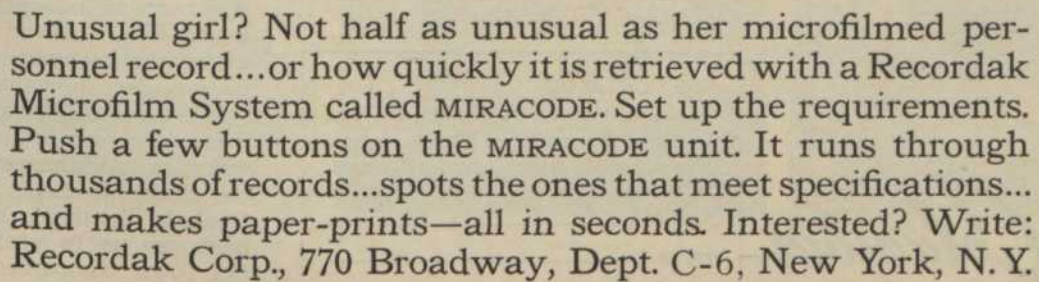
I don't want to be on record as saying that I think our economy is so sluggish, American management so unimaginative and government policymakers so incompetent that they can't cooperate to reduce the current unemployment rate in the years ahead. I hope nobody will say we have done the best we can because four per cent is less than five.

You commented on the probability that there will be ups and downs in business activity. Does this mean you do not consider our economy depression-proof?

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Dr. Andrew F. Brimmer





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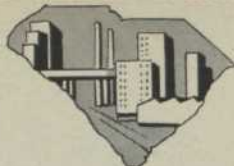
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continued

against anything is pretty strong language. We ought to be aware that things can get out of order. But history doesn't have to repeat itself.

I certainly don't think we are likely to repeat the experience of the 1930's. We know quite a bit now. But it isn't obvious we will always be willing to act or be able to act in time to prevent some slumps.

What do you expect for export markets in the next four or five years?

I think exports will continue to grow. I think we will keep a good share of the European market—which is not only growing but is also being upgraded. The outlook is quite favorable in the long run.

Will the balance of payments problem be solved?

We are working that problem out. The voluntary cooperation of American companies to reduce the flow of dollars overseas is producing results. However, it will be many months before we can be more certain in our judgment.

What has happened to American investments abroad since the government asked for help from business?

Let's be clear on that. The government has asked companies to take a good look at their plans and to postpone or cancel marginal projects. We don't tell them what is marginal; we assume they know.

We also have asked, where they felt they had to go ahead with foreign investments, that they finance with foreign sources of money.

We don't ask that companies stop investing. Direct investment is helpful for the long pull but in the short run it contributes to the loss of dollars from the U.S.

We are also getting the cooperation of foreign companies with American affiliations. We have contacted about 100 of these and we expect them to cooperate in helping us to protect the value of the dollar.

It is clear, in international finance, that some form of currency is required in addition to gold. I think the dollar is most likely to continue to be that currency and it behooves us to protect its value. Our own companies are helping very much, and we are hopeful about our friends abroad who have business affiliations in this country.

END

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Statehouse shuffle:
Will business be the loser?



What happened in Delaware redistricting could well occur in your own state legislature

HARRY S. WILSON, a freshman Democratic member of the Delaware House of Representatives, was in a foul mood. He sat slumped behind his desk in the legislative chamber at Dover.

He had just tangled with Francis "Cozy" Dolan, a Wilmington area political power with long and strong union connections. At issue was a workmen's compensation bill due for a vote later in the day.

Mr. Wilson was in a box. He didn't want to oppose the measure because he favored its intent. But as an insurance broker in private life and a former secretary of the Governor's Insurance Study Commission, he was sure some of its provisions were badly written. They could lead to fraudulent claims and unjustifiably increased costs to business, he was convinced.

Later that day in the House chamber, he took the floor to charge that he had been unable to get consideration for amendments he said were necessary and which had been promised. But the bill sailed through without opposition as Mr. Dolan watched calmly from the rear of the chamber.

This seemingly localized incident has national significance. The reason is that Delaware's legislature represents districts recently redrawn to abide by the U. S. Supreme Court reapportionment ruling. That historic decision dictated that state legislatures must be divided on a straight population basis in both chambers. This has become widely known as "one man-one vote." Controversy over the decision has thundered in Congress and in state assemblies throughout the nation.

The new Delaware districting has distributed considerable voting power to blue-collar workers and the unemployed. With population now concentrated in the Wilmington-Newcastle area of County Democratic Chairman Dolan, the influence of organized labor has swollen to new importance.

Delaware's experience is well worth noting by businessmen elsewhere because its legislature is one of the first elected on the Supreme Court's formula that must be applied in all 50 states. Already there



A familiar figure in statehouse halls is Francis "Cozy" Dolan, political chieftain of a populous county. He's said to be calling many of the shots in Delaware's newly reapportioned legislature.

Allen J. Cook, Democratic Majority Leader in Delaware's Senate (left), and Walter Hoey, Chairman of Joint Finance Committee, both support constitutional amendment to correct urban domination of their state's legislature.



PHOTO: FRED MAROON



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STATEHOUSE

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are disturbing signs. No one claims that unions are in full control of the Delaware legislature or that it is bound to run rough-shod over business. The compensation bill disturbing Mr. Wilson was amended in the more conservative Senate, where liberals have yet to gain full strength.

But a few early developments explain why some Delaware businessmen are concerned:

1. The current speaker of the Delaware House is also executive secretary of the state's Department of Labor and Industrial Relations and a former member of the executive boards of the State Labor Council and the Building Trades Council.
2. The Delaware House passed a minimum wage law giving the Department of Labor broad authority to snoop through corporate records. It would have given a state department friendly to unions information useful to the unions in organizing and negotiation efforts. The Senate killed this provision.
3. Both houses passed without amendment a wage collection and payment law which could, if interpreted literally, disrupt business record-keeping and normal banking practices.
4. A consumer law has been enacted that could prove a burden to business in the hands of any future state attorney general not familiar with business operations.

These developments lead Clement J. Lemon, president of the Delaware State Labor Council, to

predict: "It looks like we will get most of our bills passed."

The Council, representing 79 locals with 20,000 to 25,000 members, has a 12-item legislative program that includes establishment of a state-level equivalent of the National Labor Relations Board, to help unions overcome employer resistance to organizing efforts.

Also on the union agenda is expansion of unemployment compensation benefits, although the state already has a liberal law.

"This year we've had a pretty good run of success," observes Mr. Lemon. "Usually our bills are the last thing the legislature considers. We've done an awful lot early in the session. We've never done that before."

The changed atmosphere helps explain why some Delaware businessmen—like many others elsewhere—support efforts to pass an amendment to the U. S. Constitution to allow apportionment of one house of a legislature on a basis other than population as a check on a second house based solely on numbers of people.

"City elements are not the most conservative elements in any state," grumbles Otis H. Smith. He's the mayor of downstate Lewes and president of Seacoast Products Inc. "That element will pass anything that comes down the pike. If a number of these things are passed, the business climate will be harmed. Prospective business will take a look at the state and say, 'Hell, let's go somewhere else.'"

Even a veteran suburban legislator argues the case for increased



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State Rep. Clarice Heckert encourages efforts of House Speaker Harold Bockman who resists unreasonable demands of unions, now stronger as a result of court-ordered reapportionment.

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STATEHOUSE

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representation of the "rural point of view." She's Republican Sen. Margaret Manning from Wilmington's suburbs. And she refers not to narrow, strictly agricultural interests, but to the philosophy characteristic of rural people that "you can do things for yourself better than the guy way off, particularly when the guy way off is sticking you for the bill."

Not a partisan issue

Reapportionment is not a partisan issue in Delaware, although Democrats seem to benefit at the moment. In fact, it was a group of urban Republicans that brought a reapportionment suit to gain more representation for their areas. Though they won it, the seats went to Democrats partly because of the way election district lines were drawn.

Thus you'll find upstate Republicans who favor the one man-one vote setup (while pressing a court fight to get the districts realigned), and others who favor a Constitutional amendment to give more strength to downstate rural interests in one house of the legislature.

While most upstate Democrats are happy with the new regime, you'll find rural Democrats from the lower counties who also favor a constitutional amendment. These include Allen J. Cook, who was elected Democratic Senate Majority Leader with Republican help, and Walter J. Hoey, a Democratic senator and chairman of the legislature's Joint Finance Committee.

"The domination from upstate showed what they could do to us," Mr. Hoey tells a NATION'S BUSINESS editor.

"The New Castle county chairman is calling the shots," adds another disgruntled downstate Democrat, Rep. Glenn W. Busker. "We have been told in caucus, 'We have the votes so what are you going to do about it?'"

Election of the executive secretary of the Labor Department, Harold T. Bockman, as House speaker was widely viewed as muscle-flexing by labor-supported legislators.

Yet Mr. Bockman is one of two or three key legislators working hard to make the democratic process work, according to Edwin P. Neilan, Wilmington banker and former president of the Chamber of Commerce of the United States.

Mr. Neilan's assessment is shared by one of the Republican House members, Mrs. Clarice U. Heckert. But, in spite of these efforts by Mr. Bockman, she says County Chairman Dolan is "calling the shots altogether too much."

New laws hit business

The new dollar-an-hour minimum wage bill provides no exceptions for teen-agers or temporary and part-time help in resort areas. Businessmen were greatly disturbed by the way it was rushed to House passage. It was introduced one day, approved by a committee without public hearings the next and passed the third.

The wage payment bill, if followed strictly, would require multi-plant employers with central employment records to break them down so they'd be available at each place of employment. Another provision requires payroll checks to be drawn on banks convenient to the place of employment. This could give another headache to multi-plant employers as well as bankers.

These rules would be administered under regulations issued by the state Labor Department. The Department has pledged not to enforce the provisions literally, but what bothers business is that the agency would have the power to do so.

While the intent of such legislation is good, according to Rep. Heckert, "They rushed them through so fast that we had no time even to study the details."

These laws, like the consumer legislation enacted in April and labor proposals for a "little NLRB" and a Fair Employment Practice Commission, tend to vest considerable authority in regulatory agencies.

Rep. Heckert observes that the new lawmakers, while sincere, "are not quite aware of the potential for harm when they delegate so much authority to a regulatory body."

As is obvious to any business-

man who has watched the federal government's National Labor Relations Board and the Federal Trade Commission in action, the impact on business of any legislation often depends on who is appointed to the regulatory bodies.

Parties face rejiggering

Delaware Republicans have already reapportioned the delegates to party nominating conventions on a combined basis of population and voting strength.

State Democrats face a move to rejigger their party structure more along population lines. It would give greater influence to the populous upstate area in picking candidates for state-wide election.

So urban areas could have more influence over nominees and, eventually, appointees to regulatory agencies.

Members of Congress close to the reapportionment issue predict the courts eventually will rule that the nominating process—like general elections—must be carried out on a one man-one vote basis.

This could happen unless the one man-one vote requirement is restricted to only one house of a legislature as provided in an amendment introduced by Senate Minority Leader Everett M. Dirksen of Illinois and more than 30 cosponsors from both parties.

The amendment is backed by both of Delaware's Senators, John J. Williams and J. Caleb Boggs.

Unlike many states, Delaware has never had the so-called "little federal" system comparable to Congress, in which the House of Representatives is based on population and the Senate is based on geographical political entities. Neither Delaware house was based on population before. But like other states, it is faced now with the question of whether purely numerical representation in not one but both houses is carrying reform too far.

END

COMING IN JULY

How business sees next 12 months

Next month's Nation's Business will bring you a useful report on our latest survey of business expectations.

Forecasts from more than 300 executives throughout business and industry will cover pricing, employment, capital spending and other indicators to help you determine the short and longer-term course of American business.

You'll learn, too, what key decision-makers find most troublesome in their jobs, and what they're doing to hurdle these obstacles in next month's Nation's Business.

What makes a company

Sixteen experts agree on qualities common to imaginative businesses

How do highly creative workers differ from those who aren't?

Can business encourage creativity in employees?

Sixteen businessmen, scholars and scientists sought answers to these and related questions in a symposium conducted by the University of Chicago's Graduate School of Business Administration under a grant from the McKinsey Foundation for Management Research, Inc.

The article summarizes major conclusions of these experts. It was adapted from the introduction to "The Creative Organization," a book to be published this month by the University of Chicago Press. © 1965 by The University of Chicago. Psychologist Gary A. Steiner, of the university faculty, was the book's editor.

For the names of the symposium participants, see facing page.

DISTRIBUTION of creative contributions is something like the distribution of personal income: a small percentage of people accounts for a large share of the total.

Except for a few outstanding historical exceptions, the most creative people in one field are not likely to be the most creative in another.

Results of various testing programs suggest, however, that the qualities which distinguish more from less creative people do extend beyond specific areas of professional competence. Creative architects, for instance, differ not only in the way they approach architecture but also in the way they approach situations far removed from their profession.

What is more, there seem to be at least some differences that hold across diverse fields. For example, some of the same personality characteristics that distinguish between architects of high and average creativity have been observed in creativity studies not only of industrial research chemists but even among high school children.

Intelligence seems to bear about the same relationship to on-the-job creativity as weight does to ability in football. You have to have a lot of it to be in the game at all; but among those on the team—all of whom have a great deal of weight to begin with—differences in performance are only slightly, if at all, related to weight. In short, creativity in most fields is associated with high intelligence. But among

practitioners, differences in intelligence are little help in predicting creativity.

The creative individual

Although many characteristics of the creative individual vary according to the area of creativity, studies of highs and lows in various fields are beginning to yield some common denominators. Highs, as a group, typically outscore lows in:

The ability to generate a large number of ideas rapidly. For example, listing tools beginning with the letter "t" or predicting possible consequences of a situation.

The ability to shift gears, to discard one approach for another.

The ability to give original, unusual answers to questions, responses to situations, interpretations of events.

Highly creative people often prefer the complex—and to them intriguing—as against the easily understood.

Several closely related personality characteristics distinguish highs and lows:

The highly creative are more apt to stick to their guns when they find themselves in disagreement with others.

In a situation where group pressures contradict the evidence of their own senses, lows more often yield in their expressed judgment. The same is true when the issue at stake is not a factual one but involves voicing an opinion on an aesthetic, social or political matter.

creative

Highs sometimes feel lonely and apart, with a sense of mission that isolates them, in their own minds, from average men.

Attitudes toward authority

People of low creative power are more apt to view authority as final and absolute, to offer unquestioning allegiance. Highs, on the other hand, are more likely to accept dependence on authority more as a matter of expedience than personal allegiance or moral obligation. They view present authority as temporary.

Highs are more apt to separate source from content in their evaluation of communications, to judge and reach conclusions on the basis of the information itself. Lows are more prone to accept or reject, believe or disbelieve messages on the basis of their attitude toward the sender.

Highly creative people may introduce humor into situations where it is not called for and bring a better sense of humor to situations where it is. They make fewer black-and-white distinctions, show more independence of judgment than those whose creative capacity is small.

Highs find challenge and interest in problems and their solution. They get more involved in a task, work harder and longer in the absence of external pressures or incentives. Salary and status are relatively less important to them than elements in a job which stimulate their interest.

Lows are more likely to see their future within the boundaries of one organization, to be concerned chiefly with its problems and with their own rise within it.

Highs think in terms of a larger community, both residential and professional. They take their cues from the larger professional community and attempt to rise within it. They tend to be more mobile, hence less loyal to a specific company.

The pace varies

Highs often spend more time scanning alternatives in the initial stages of problem-solving. Lows are more apt to "get on with it." Yet the highly creative often leave lows behind in the later stages of problem-solving, having disposed of more blind alleys beforehand.

One interpretation of this is that highs feel less anxiety to produce; they are confident enough of their eventual success to be able to step back and take a broad look be-

fore making final commitments. Many of these qualities can be measured, at least in part, by simple paper-and-pencil tests. But the instruments are far from perfect. [See "Test Your Creativity" page 80.]

The procedure becomes more useful as the number of cases to be predicted increases. If many people are to be selected and it is important that some of them will turn out to be highs, a testing program can improve the odds. This would apply, for instance, in the selection of chemists in a major industrial laboratory.

But if few people are being selected and it is important that almost all of them turn out to be highly creative (the chiefs of staff, the top management team, or the scientists to head a project), it is doubtful that at present a testing program will improve the odds much beyond those of careful personal appraisal.

The appearance of the creative

CREATIVITY CONFEREES

Participating in the seminar on creativity were:

Franz Alexander, Chief of Staff, Psychiatric Department and Director of the Psychiatric and Psychosomatic Research Institute at Mt. Sinai Hospital, Los Angeles.

Frank Barron, Research Psychologist, Institute of Personality Assessment and Research, University of California.

B. E. Bensinger, Chief Executive Officer, Brunswick Corporation.

Bernard Berelson, Director, Communication Research Program of the Population Council, New York.

Marvin Bower, Managing Director, McKinsey & Company, Inc.

Jerome S. Bruner, Professor of Psychology and Co-Director of the Center for Cognitive Studies at Harvard University.

Harold Guetzkow, Professor of Psychology, Sociology, and Political Science, Northwestern University.

Paul E. Meehl, Professor, Department of Psychology and Neurology, University of Minnesota.

Robert K. Merton, Professor, Department of Sociology, Columbia University.

David M. Ogilvy, Chairman, Ogilvy, Benson & Mather, Inc.

Peter G. Peterson, President, Bell & Howell Company.

Milton Rokeach, Professor, Department of Psychology, Michigan State University.

William Shockley, President, Shockley Transistor Corporation.

Morris I. Stein, Professor of Psychology and Director of the Center for Human Relations, New York University.

Ralph W. Tyler, Director, Center for Advanced Study in the Behavioral Sciences.

W. Allen Wallis, President of Rochester University, Rochester, N.Y.

Gary A. Steiner, Seminar Director, Professor of Psychology, Graduate School of Business, University of Chicago.

process, especially in its early stages, poses a problem to administrators. Up to a point, it may be hard to distinguish from totally non-productive behavior.

Creativity is rarely a matter of step-by-step progress. It is more often a pattern of large, unpredictable leaps after relatively long periods of no apparent progress.

The extreme example is the sudden insight that occurs after a difficult problem is put aside and at a time of no conscious concern with the matter. Many anecdotes support the cliché where a great man cries "Eureka!" in the middle of the night. The mathematician Poincaré got one of his most important ideas in a sudden flash while stepping onto a bus.

At a level of more immediate concern to most executives, the same sort of progress pattern distinguishes creative from merely productive work, and more from less creative activity, in the kind of problem-solving that characterizes day-to-day business activity.

The creative process often requires suspended judgment. The dangers of too early commitment are apparent at various levels.

In the small-group problem-solving so typical of the modern organization, people will often persist in supporting a position they have taken publicly beyond its apparent validity and usefulness.

Finally, at the level of the organization itself, financial, technical or corporate commitments to products, techniques, facilities, affiliations and the like often stand in the way of change even when it is recognized as inevitable.

Undisciplined thinking?

Many creators stress the importance of undisciplined thinking, especially in the initial stages, because it expands the range of consideration and raw material from which a new solution may emerge.

In this connection, we hear of the use of artificial disorganizers and "boundary expanders," such as alcohol, brainstorming sessions and even narcotics.

The managerial enigma is to distinguish incubation from laziness, suspended judgment from indecision, boundary expansion from simple drinking, undisciplined thinking as a permanent characteristic, brainstorming from glibness by committee.

Tolerance for high-risk gamblers on creativity is probably one of the prerequisites of playing for the higher stakes creativity provides when it does pay off.

How hard should a man try in order to maximize his chances of being creative? There is an apparent paradox:

First, we often hear that the creative process is characterized by a tremendous sense of commitment, a feeling of urgency or even of mission, that results in enormous preoccupation with a problem.

On the other hand, extremely high motivation narrows the focus and produces rigidity which not only precludes creativity but reduces productivity. To some the absence of pressure is a common denominator in situations conducive to creativity.

Two solutions are suggested: One, motivate to maintain effort at high levels but not so much as to produce panic attempts at immediate solution. The other solution involves a distinction in the quality of motivation—between involvement and pressure. Perhaps external pressure impedes creativity, while inner drive and job involvement are prerequisites.

The creative process is possibly best characterized by open-mindedness in the early, idea-getting phases, than by a bull-headed conviction at the point of execution.

Creativity and organizations

What are the characteristics of the creative organization?

What does the nature of individual creativity imply about the factors that foster or impede it?

The characteristics of creative individuals suggest a number of rather direct translations at the organizational level, and many of the characteristics independently attributed to creative organizations seem to match items in our description of individual highs.

A creative organization has idea men, open channels of communication, and such devices as suggestion systems, brainstorming, and idea teams freed of other responsibilities.

It encourages contact with outside sources, assigns nonspecialists to problems, allows eccentricity, invests in basic research, encourages flexible, long-range planning, and experiments with new ideas rather than prejudging.

It is more decentralized, diversified, has administrative slack, lets time and resources absorb errors.

These comparisons have limita-

tions and may at times be misleading. But they do serve as an index to some of the major characteristics attributed to creative organizations, and it is interesting that so many of them sound like the distinguishing characteristics of individual highs.

Stimulating creative people

What can management do—beyond selecting creative participants—to foster creativity?

First, reward creativity. Stress creativity as a company goal, encourage and expect it at all levels, and you will increase your chances of getting it.

In business, the greater rewards tend to go for work that shows immediate, measurable results (for example, sales) as against that which may pay off in the longer run (such as basic research).

It may be inevitable that work closer to the balance sheet will be more swiftly compensated than efforts that have uncertain and long-range effects on profits.

But if creativity is to be fostered, not impeded, by material incentives they will have to be applied by a different yardstick.

It is probably this simple: Where creativity, not productivity, is the goal then creativity and not productivity should in fact be measured and rewarded.

There should be formal channels within an organization for advancement and status within the area of creativity.

Where it is impossible to promote a creative chemist without taking him out of chemistry, he faces a choice between money and position on one hand and chemistry on the other. The company is likely to lose his services as chemist either to administration within its own walls or to another organization.

The nature and number of status levels, their labels, and their value within the firm and the larger community will determine their worth to individuals who hold them.

Within rather broad limits, creativity is increased by giving creators freedom in choice of problem and method of pursuit.

But such freedom often puts the appropriate objectives of the organization at odds with the demands of maximum creativity. Curtailing and channeling discussion into areas known to be productive obviously limits the chances of someone coming up with something outside the ordinary.

This, then, is probably one of the principal costs in the nurturing of

creativity: Except in the rare and fortunate case where a creative individual's interests exactly match the daily operating objectives of his organization, the organization pays a price, at least in the short run, for giving him his head.

Where communication fits in

Many observations point to the importance of free and open channels of communication—vertical and horizontal.

Presence of formal channels is not enough. People must feel free to use them, and channels must not be clogged by paperflow that ties up time with programmed trivia, and creates an air of apathy toward incoming messages because it is so unlikely that they will contain anything of value.

Since highly creative people tend toward cosmopolitan, professional orientation, the organization must at least provide for and perhaps encourage contact and communication with colleagues and associations on the outside.

Scientific and professional publication in the appropriate journals often is of great personal importance to creators.

What must an organization be prepared to give up or tolerate if it wants to increase its creativity?

First, creativity by definition is a high-risk enterprise, not for society or industry at large but for any given unit that attempts it.

Decisions as to whether and where to attempt creativity and how much to try for are much like decisions concerning what to insure and for how much.

In fostering creativity, energy is consumed in investigation and exploration that does not go into work known to be productive.

There may be costs in security, comfort and congeniality of the environment. Highly creative employees are not as obedient, flattering, easy to control. In addition, highs are more mobile, less loyal, harder to hold by ordinary rewards but easier to acquire by the offer of interesting opportunities.

A creative organization itself is more committed to change, operates on a faster track, has a less certain or predictable future than the efficient, me-too operation.

In short, maximizing creativity is not the principal objective of any organization at all times, or even of all organizations at some times. When it is, these are some rough guidelines to how it may be fostered.

END

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Test your creativity

Businesses are now using quizzes like these to spot their idea men

BUSINESS is stepping up its search for the Creative Man.

Creativity-testing, while still an infant science, is helping companies find imaginative people.

The corporate concern is both urgent and practical. Business must have men and women with the knack for finding new solutions.

On following pages are several examples of creativity tests now being used. They will let you assess your own creativity.

Firms currently using creativity tests in their selection and promotion procedures include the Dow Chemical Co., International Business Machines, General Electric, Lever Brothers and the AC Spark Plug Division of General Motors.

Hundreds of other companies are putting new emphasis on creativity in training and development.

The sample tests were assembled for NATION'S BUSINESS by psychologist Eugene Raudsepp, an expert in business creativity for 15 years. He is cofounder of Princeton Creative Research, Inc., and periodically conducts creativity workshops for some of the country's largest industrial concerns.

Mr. Raudsepp cautions that while great progress has been made in testing for creative ability, certain tests may not measure the particular type of creativity businesses need. Premature conclusions could demoralize and even fail to single out potentially creative employees.

On page 82 you will find Mr. Raudsepp's interpretation of your own test scores.

1 Word hints to creativity

OBJECT: Find a fourth word that is related to all three words listed below.

For example, what word is related to these?

Cookies sixteen heart _____

The answer is "sweet." Cookies are sweet; sweet is part of the word "sweetheart" and part of the phrase "sweet sixteen."

What word is related to these words?

Poke go molasses _____

Answer: slow

Now try these words:

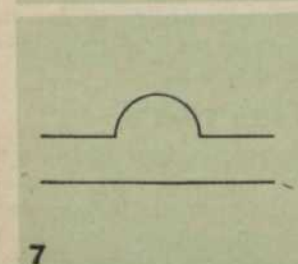
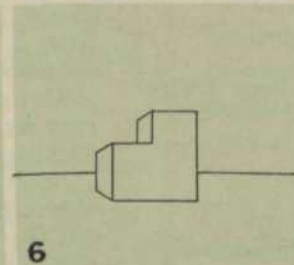
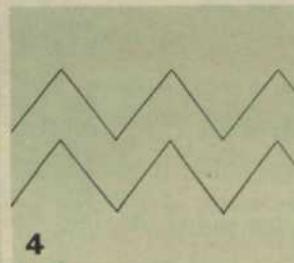
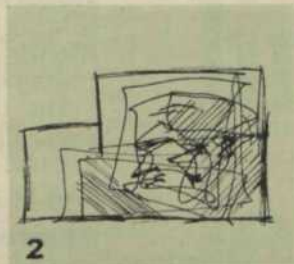
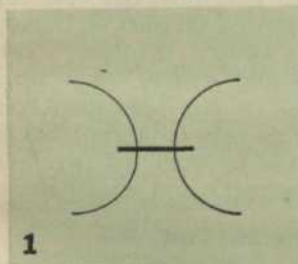
- | | | | |
|-------------|---------|----------|-------|
| 1. surprise | line | birthday | _____ |
| 2. base | snow | dance | _____ |
| 3. rat | blue | cottage | _____ |
| 4. nap | rig | call | _____ |
| 5. golf | foot | country | _____ |
| 6. house | weary | ape | _____ |
| 7. tiger | plate | news | _____ |
| 8. painting | bowl | nail | _____ |
| 9. proof | sea | priest | _____ |
| 10. maple | beet | loaf | _____ |
| 11. oak | show | plan | _____ |
| 12. light | village | golf | _____ |
| 13. merry | out | up | _____ |
| 14. cheese | courage | oven | _____ |
| 15. red | star | house | _____ |

2 Pictures test your creativity

OBJECT: Tell whether you like or dislike each of the following drawings.

Answer by circling "L" (for like) or "D" (for dislike). If you can't decide, guess.

- | | |
|--------|--------|
| 1. L D | 5. L D |
| 2. L D | 6. L D |
| 3. L D | 7. L D |
| 4. L D | 8. L D |



3 Which traits describe you?

OBJECT: Check the adjectives that you believe really describe you. Your selections can be clues to your creativity.

- | | | |
|-----------------|----------------|--------------|
| determined | life-of-party | stern |
| responsible | dynamic | sociable |
| tolerant | polite | sensitive |
| independent | informal | restless |
| inventive | impulsive | reflective |
| enthusiastic | excitable | rational |
| clear-thinking | popular | preoccupied |
| understanding | cheerful | practical |
| individualistic | obedient | peaceable |
| industrious | self-demanding | organized |
| dependable | unassuming | moody |
| absent-minded | worrying | masculine |
| logical | polished | loyal |
| versatile | fashionable | good-natured |

4 Your choice shows creativity

OBJECT: Check the responses that you feel apply to you.

- Would you rather be considered:
 - a practical person?
 - an ingenious person?
- If you were a teacher, would you rather teach:
 - fact courses?
 - courses involving theory?
- Does following a schedule:
 - appeal to you?
 - cramp you?
- When there is a special job to be done, do you like to:
 - organize it carefully before you start?
 - find out what is necessary as you go along?
- Do you often get behind in your work?
 - yes
 - no

(continued on next page)

TEST CREATIVITY

continued

6. Do you prefer specific instructions to those which leave many details optional?

- a ____ yes
b ____ no

7. Do hunches come to you just before going to sleep?

- a ____ yes
b ____ no

8. Do you often fret about daily chores?

- a ____ yes
b ____ no

9. Do you like to introduce the speaker at a meeting?

- a ____ yes
b ____ no

10. Do you get your best ideas when you are relaxed?

- a ____ yes
b ____ no

11. Do you sometimes feel anxious about the success of your efforts?

- a ____ yes
b ____ no

12. Do you like work in which you must influence others?

- a ____ yes
b ____ no

13. Are you fundamentally contented?

- a ____ yes
b ____ no

14. Do you like work that has regular hours?

- a ____ yes
b ____ no

15. Do you spend many evenings with friends?

- a ____ yes
b ____ no

16. As a child, were you inclined to take life seriously?

- a ____ yes
b ____ no

17. Do you frequently daydream?

- a ____ yes
b ____ no

18. Do you remember the names of people you meet?

- a ____ yes
b ____ no

19. Do you like to keep regular hours and run your life according to established routine?

- a ____ yes
b ____ no

20. Is it hard for you to sympathize with a person who is always doubting and unsure about things?

- a ____ yes
b ____ no

Creative individuals get 75 per cent or more of these items right.

The words are based on the Remote Associates Test developed by Dr. Sarnoff A. Mednick of the University of Michigan and Dr. Sharon Halpern of the University of California, Berkeley. The actual test consists of 30 such series and the individual is given 40 minutes to complete the test.

Dr. Mednick defines creative thinking as "the forming of associative elements into new combinations which either meet specified requirements or are in some way useful. The more mutually remote the elements of the new combination, the more creative the process or solution." He also maintains that the richness or the number of associations the individual can marshal to the requisite elements of a problem increases the probability of a genuinely creative solution.

The test has proved helpful in identifying IBM engineers and scientists rated as more creative. Extensive experimentation with this test on engineering, scientific and managerial personnel has been and is being carried on also at General Electric, Lever Brothers, Dow Chemical and several other firms.

The test is not published commercially as yet. It is available for research use by qualified psychologists in industry and elsewhere.

Answers to Test 2.

Creative individuals prefer drawings 2, 3, 5, 8 and dislike drawings 1, 4, 6, 7.

These sample drawings are from the Barron-Welsh Art Scale, which consists of 86 abstract line drawings and designs which range from simple geometric forms to complex and asymmetrical figures and patterns.

Several studies with this test have shown that creative individuals show a marked preference for the complex and asymmetrical.

The creative individual's preference for complexity of experience is strikingly shown by this test.

Several authorities feel this test is exceedingly promising. Dr. Harrison G. Gough, an author of several effective tests, says: "If there is one single test which so far has shown promise as a forecaster of creativity, this is it."

Answers to Test 3.

Highly creative individuals tend to describe themselves by these adjectives: determined, independent, inventive, enthusiastic, individualistic, industrious, absent-minded,

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versatile, daring, dynamic, informal, impulsive, excitable, self-demanding, unassuming, worrying, thorough, sensitive, restless, reflective, preoccupied, moody.

Less creative, or noncreative, favor adjectives such as: sincere, responsible, tolerant, clear thinking, understanding, dependable, logical, life-of-the-party, polite, popular, cheerful, obedient, polished, fashionable, stern, sociable, rational, practical, peaceable, organized, masculine, loyal, good-natured.

The adjectives are taken from the Adjective Check List, developed by Dr. Harrison G. Gough of the University of California, Berkeley. The actual test consists of 300 adjectives.

Although not originally developed to assess creativity, this test has successfully differentiated highly creative individuals from less creative or noncreative.

In one study with writers, mathematicians, architects, research scientists and engineers, conducted by Dr. Donald W. MacKinnon of the Institute of Personality Assessment and Research, the adjectives, which the more creative individuals checked as descriptive of them, show that they have excellent self-images. Yet, paradoxically, they also checked more unfavorable adjectives than did their less creative colleagues.

In Dr. MacKinnon's words: "One finds in these contrasting emphases in self-description a hint of one of the most salient characteristics of the creative person, namely, his courage."

He says it is not physical courage, though a highly creative person may have courage of this kind too. It is rather personal courage of the mind that often makes a person stand aside from society and in conflict with it.

"It is the courage to be oneself in the fullest sense, to grow in great measure into the person one is capable of becoming."

Answers to Test 4.

Creative individuals tend to check these responses: 1b, 2b, 3b, 4b, 5a, 6b, 7a, 8a, 9b, 10a, 11a, 12b, 13b, 14b, 15b, 16a, 17a, 18b, 19b, 20b.

These items are based on several questionnaires used in creativity studies, including the Myers-Briggs Type Indicator, the Cree Questionnaire, California Psychological Inventory and others.

There are several tests which were originally designed to measure attributes other than creative ability, but which have nevertheless success-

(continued on page 101)

no

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IDEAS

10 ways to sell them

These useful recommendations can help you get new ideas across

THE CREATIVE PROCESS starts with an idea. But in most cases it takes as much imagination to sell your idea as it did to conceive it.

Ideas are turned down for many reasons. A good idea may seem strange simply because it is new. That is why you cannot assume anything in presenting a new idea, not even that everyone is aware of the need for it.

Some good ideas are rejected because of minor defects. With proper preparation, idea men could have detected these flaws and developed alternative approaches.

Some ideas are turned down because illogical evidence is used to support them or because they infringe on someone's actual or imagined status in the organization.

In trying to sell a new idea, new plan, new method or policy, you will invariably find someone who opposes it. So unless you know how to pry open closed minds, your brainchild will never grow up. And once you get a closed mind opened, you must know how to keep it open.

Here are 10 useful guidelines for putting an idea across:

1. Don't oversell. Don't feel that you must use a sledge hammer. Many times, a small but important

Robert J. Tiernan, the author, has been selling ideas for years. He teaches creative thinking at Drake University, has lectured on creativity and brainstorming, and is manager of merchandising and sales promotion for a national magazine.

sales point can be driven home more efficiently with a tack hammer. Don't make rash promises.

Benjamin Franklin once counseled would-be persuaders: "The way to convince another is to state your case moderately and accurately. Then scratch your head, or shake it a little and say that is the way it seems to you, but that of course, you may be mistaken about it; which causes your listener to receive what you have to say, and as like as not, turn about and try to convince you of it, since you are in doubt. But if you go at him in a tone of positiveness and arrogance you only make an opponent of him."

The master salesman knows the value of understatement. He knows that conservative promises are more likely to gain the confidence of the more intelligent minds. And he knows that conservative promises are easier to fulfill.

If you honestly believe that adoption of your idea will result in a sales increase of 10 per cent within six months, don't say 20 per cent. Or if you're sure your idea will reduce operational costs in your department by at least 15 per cent over a year's period, don't say 25 per cent.

2. Don't give up too soon. If your ideas are not adopted immediately, consider all the disappointments Lincoln encountered during his lifetime.

Lincoln was defeated in five attempts at elective office before winning the presidency and he was a failure in business as well.

The magic number—three

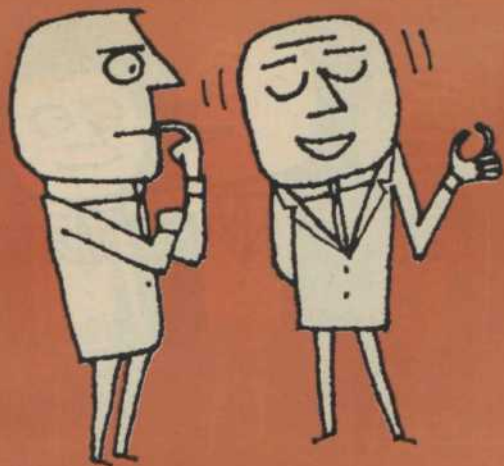
Rogers, Slade & Hill, a New York management consulting firm, tells of a manufacturer who made a study of the source of ideas in his plant. He found that no matter how good an idea is it usually must be suggested three times before anyone pays much attention to it.

The reason? It's difficult to attract the attention of busy people. People resist change, a new idea may affect someone's job.

Cloyd Steinmetz, director of sales training for Reynolds Metals Company, tells of a salesman who called



Let them convince themselves



Understatement is best

on a buyer for one of the largest food chains when Pillsbury cake mix first was introduced. The buyer told the Pillsbury salesman that his chain would not take on a product that hadn't been tested and proved to be good.

The following Friday at 4:30 p.m. the salesman came back carrying a freshly baked and iced cake. He said to the buyer's secretary, "Will you please give this to your boss with my compliments?" He then walked out. The next Friday afternoon, he repeated this procedure. He did this for 12 weeks.

The thirteenth week, Friday afternoon—no cake! But on the following Monday morning at 8:30 in he came with a freshly baked and iced cake. Just as the salesman turned to walk out, the secretary said, "I think the boss wants to see you."

When he went in to see the buyer, the latter said, "What are you trying to do to me?" The salesman asked, "What do you mean?" The buyer said, "For 12 weeks my family has had a fresh cake each weekend. What happened last Friday?"

The salesman explained that he had baked and iced every one of the cakes.

The buyer asked: "You believe in your cake mixes, don't you?" The salesman answered: "That's not important. You do, don't you?" Whereupon the buyer invited the salesman to help him plan a major promotion using Pillsbury mixes.

3. Watch your timing. Even the hour of the day can make a vital difference in whether or not you are successful in selling an idea. Determining the right time usually takes careful investigation.

Once you feel the time is right, you must be sure to give yourself adequate time to prepare. Give those whom you want to participate enough time to arrange their schedules. Try to avoid scheduling your meeting late on Friday. Your prospects have spent a full week dealing with other problems.

Make sure your idea concerns a problem facing top management now. Obviously, if the company is having its biggest sales year in history, an idea on how to increase sales will not be received enthusiastically.

Or let's say your idea will require a large initial investment to be carried out. If your company is deeply involved in cutting costs, your timing may be way off.

A consultant to large corporations says he will introduce a new idea to his executive contacts only when one of two conditions exists. First, when the idea is pertinent to a particular problem the executive is working on at the time or a problem he soon must face. Second, when the executive is mentally relaxed and apparently is looking for something new to think or talk about.

Aging an idea helps, too. Dr. William J. Reilly, in his book, "How to Make Your Living in Four Hours a Day," says: "The time to discuss an idea with others is after you are through thinking about it. . . . A new idea is invariably accompanied by a burst of enthusiasm. Our initial impulse is to hurry and tell someone about it. When we do this, the mental energy generated by our idea is dissipated in talk rather than in thought."

So be patient. Wait for the right time to spring your ideas.

Write it down

4. Next, be sure to plan carefully.

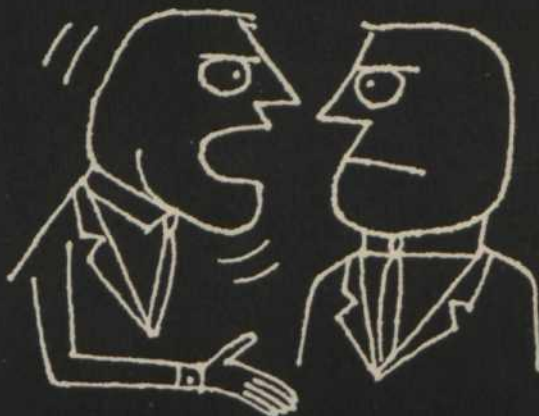
The first step is putting your idea on paper—preferably in a single sentence or a short paragraph. If you can't express your idea succinctly, either your idea is worthless or you haven't thought it through.

You need to develop your idea by asking: Why is it necessary? What will it do? Who will execute the idea? What departments will it affect?

Don't be afraid to list the cons as well as the pros when presenting your idea. This will demonstrate that you have thought the problem out from all angles and should help you achieve more credibility.

Charles G. Mortimer, retired chairman of General Foods Corporation, once emphasized the need to "think through" an idea before presenting it. According to Mr. Mortimer:

"There are three stages of thinking. The first stage



Don't argue

is thinking about a problem, plan or project. Sometimes we do this for years—without getting any benefit whatsoever from the mental energy we expend, because we do nothing about it.

"The second stage is thinking into the problem, plan or project. This entails bringing all our imagination, our resourcefulness, our inventiveness to bear.

"The third stage is thinking through. This involves enlisting our very best judgment with respect to every phase and feature of the plan or project. It means facing realities, assaying the possibilities of failure, planning our attack, and organizing everything so carefully that no one will have to check up on us."

We should never present an idea until we have thought it through completely. Then develop a presentation.

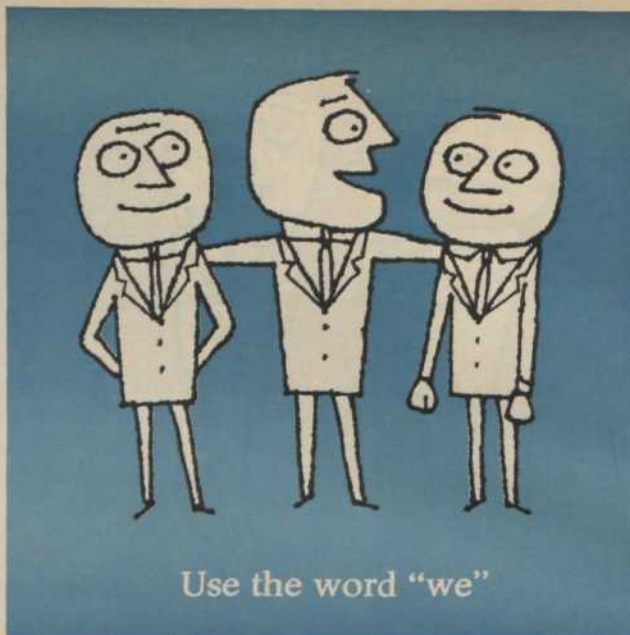
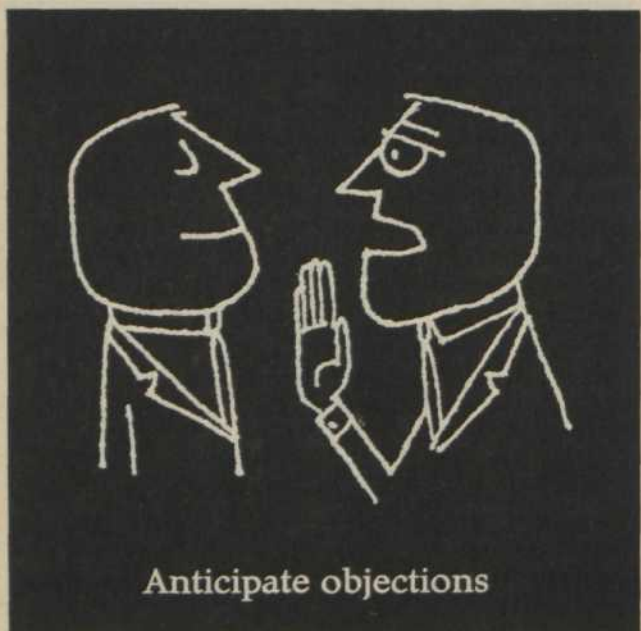
A good procedure is to summarize the highlights of your idea, then add supporting evidence.

Divide your presentation into two sections—a broad or general plan and a detailed plan. The broad plan deals mainly with the what of the idea and the problem it is designed to solve. The detailed plan is concerned with why the idea is worth consideration, who will execute it, how it might be done and when it might be done. The detailed plan should include a timetable.

5. Keep your language simple. You must strive for absolute clarity. Avoid trade jargon unless all of the people to whom you're presenting the idea feel at ease with such language. We are sometimes tempted to impress superiors and associates with our large vocabulary of multisyllabic words. Don't.

The art of writing or speaking is the art of restraint. The simpler your style, the better. And don't be afraid to break rules of grammar when necessary. No one will convict you for ending a sentence with a preposition.

Don't take for granted that the words you use mean the same to your listeners as they do to you. Like people, words reflect constant change. The same words can mean different things, at different times, to different people.



Talking or writing in picture words is one of the best ways to attain clarity. The mind has five doorways through which outside ideas enter: sight, sound, touch, taste and smell. The English language is rich in short words that tease the taste, whet the nose, please the eye and the ear. There are words you can hear like the swish of silk; words with a smell like smoke, mint and gasoline.

So if you want to succeed in selling your idea, use simple, easy-to-understand words. As Will Rogers once commented: "I love words but I don't like strange ones. You don't understand them, and they don't understand you. Old words are like old friends—you know 'em the minute you see 'em."

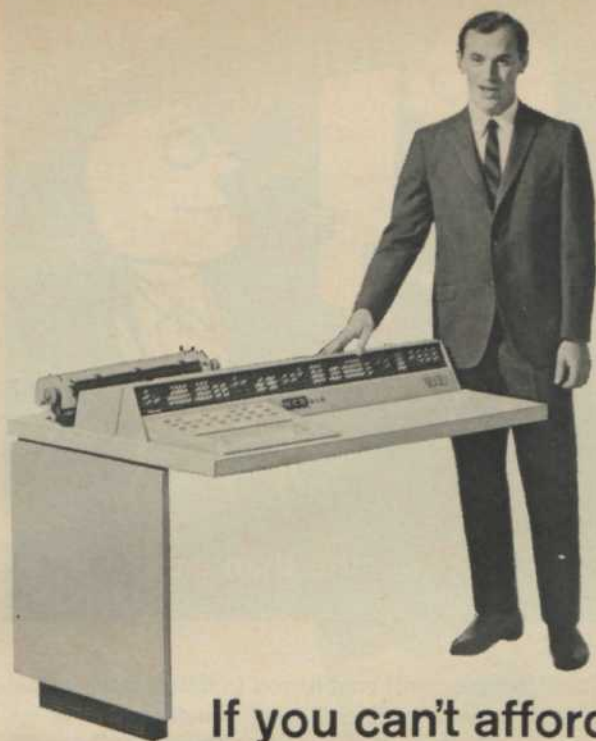
6. Put showmanship into your presentation. The size and importance of your idea will, of course, determine the nature of any dramatizing you do. However, in most cases, it does help, as Alex Osborn suggests, "to put some 'spin' on your idea . . . take it out of the humdrum and make it easier to grasp." There are many dignified ways to put power into your presentation.

The eye is 22 times as powerful as the ear in transmitting impressions to the brain. Whenever possible, add the visual element. This might be simply a scratch pad and pencil. In more elaborate forms it would be a presentation employing large, easy-to-see words and pictures, drawings, models, charts or dummy packages.

If you use words only, listeners will recall 70 per cent of what you say after three hours, 10 per cent after three days. If you use just visual means (no oral accompaniment), viewers will recall 72 per cent of what they saw after three hours, 20 per cent after three days.

But if you use both spoken and visual means together, your audience will recall 85 per cent of your story after three hours, and up to 65 per cent after three days.

George Walker, one-time vice president and chief stylist for Ford Motor Co., had been a free-lance designer in Detroit many years before. In competition



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with other designers, he was asked by Ford to submit ideas for a door handle.

He noticed that the displays were plain and quite similar. He dramatized his by slipping a piece of black velvet behind his design. Henry Ford passed all the exhibits and when he saw Mr. Walker's he said, "I want that one."

7. Anticipate objections.

Be on guard to avoid a controversial attitude.

If you planned your presentation carefully, you listed pros and cons regarding the idea you're trying to sell. If you were objective, you undoubtedly came up with several possible objections.

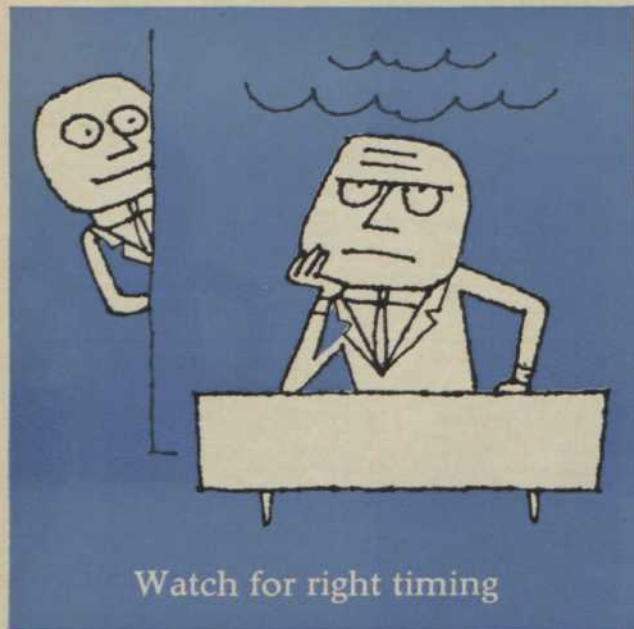
You should give each one of these possible objections careful consideration and plan how you will handle it—if it is raised.

When objections to an idea are raised, the natural inclination is to argue, to defend your baby. Successful idea salesmen do not counter objections with arguments. One of America's top insurance salesmen, J. Elliott Hall of New York, always met objections by asking questions. He didn't try to demonstrate to his objectors how wrong they were and how right he was. He just asked questions with which his prospects had to agree. And he kept asking the right questions until the answers added up to one sound conclusion based on facts. Elliott Hall never created the impression that he was trying to influence somebody to his way of thinking. Through his skillful questions, he helped his prospects crystallize their thinking.

After you have built your list of possible objections, develop a list of questions under each objection that will very likely help you overcome the objection.

Learn to listen

One of the best ways to overcome objections is to listen to them. This will help you fully understand the objection. Second, if your prospect's objections are weak, he may discover this for himself if he's allowed to talk freely. Listening plays an important role in sales persuasion. [See "How to Sell Now" in *NATION'S BUSINESS*, May, 1965.]



Good listening will enable you to detect such subtleties as how your prospect says something. For example, if he makes an objection with a friendly smile, this will usually indicate that he doesn't consider it a major one.

Effective listening will also help you uncover emotions, words and attitudes which may tip you off to a favorable or unfavorable point of view.

8. Promote participation. The smart idea-salesman doesn't try to hog all the glory when he sells a new idea. Some of history's outstanding persuaders—Lenin, Hitler, Lincoln, Franklin D. Roosevelt, to name just a few—all knew the value of the little word, *we*, in selling ideas.

It is important to enlist support for your idea from associates and subordinates who will be involved even before you make a presentation to your immediate superior or to a top management group. Some of your associates might be at the meeting when you present your idea.

Of course, if you can in some way relate your idea to a suggestion made earlier by your superior, you greatly enhance the odds of your idea being accepted.

For example, suppose that your boss, months before, mentioned to you that he was worried about a competitor's growing share of the market in California. Your idea consists of sponsoring a new consumer contest designed to increase use of your product.

When presenting the idea, you could remind your boss that such a contest could help regain a bigger share of market in California, as well as in many other areas.

Another technique—one which requires skillful handling—is to leave out some small but important element of your idea when presenting it. This technique has been used successfully by George R. Eckstein, research associate with Remington Arms Company, Inc. He has specialized for many years in teaching businessmen how to sell ideas.

He says: "Hopefully, the person or persons you're trying to sell will notice the omission and suggest that it be added. This results in his coming to believe that




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he has a share in your idea. Consequently, you get him involved and he feels more comfortable with the idea as a whole." Of course, if your prospect doesn't make the suggestion, then you should add it yourself, as a sort of afterthought.

Eric Webster, creative director of Alfred Pemberton Ltd., London, says: "Arrange for someone else to have your idea. Pick the most powerful man of the group you are trying to influence. This is like fly-fishing.

"You'll have to cast the problem pretty skillfully to get a bite. Once he's got the bait and has surfaced with the right solution, strike immediately. Utter some faintly doubting remark. When he starts defending what is now his idea to you and the group, he's hooked. Now allow yourself to be won around step by step to his point of view. He will begin to think highly of you."

9. Make your idea easy to accept. If it appears that you're not going to be able to get a favorable decision, take every possible means to avoid getting a flat "no."

You can suggest several tacks: (a) Possibly we should appoint a committee to study this further, or (b) Do we need a small budget to get more facts? or (c) Should we get a cost estimate? or (d) Should we test the idea on a limited basis? or (e) Should we make a patent search?

A few years ago, the promotion director of a large consumer magazine conceived an idea for a series of do-it-yourself booklets to be sold to lumber dealers who, in turn, would sell them or use them as traffic-building devices by offering them free to customers.

A rather large initial investment was needed for printing the booklets, since six different titles were involved. Dummies were made up, costs were estimated in quantities, and the promotion director made his proposal to management.

The idea was rejected, although not flatly, because management was not convinced that there was a need for such booklets. However, the promotion director requested that the door be left open so that he could pursue the idea further. Management agreed. Dur-



ing the months that followed, top dealers across the country were contacted personally and definite commitments were obtained for quantities of the booklets if and when they were published. This enabled the promotion director to go back to management and convince them that, while all the risk was not removed, it was considerably safer now, and so he pressed for a test. The decision was made to test the idea and print 25,000 copies of each of six titles. More than a million copies of the booklets were sold.

10. Leave time for discussion. After you have presented your idea, summarized your main points and appealed for action, be sure to allow time for questions and answers.

Do not press too hard for a quick decision. It's best to let people convince themselves. It takes time for people to get used to a new idea.

If your idea is rather complex, take a step-by-step approach. Break it into bite-size pieces and present them one at a time.

Many of the details can best be handled this way. Questions, intelligently answered, can be quite effective in relaxing the minds of prospects. This will demonstrate to them that you have given considerable thought to the problem and its solution, and that you're not trying to railroad it through.

When the discussion is finished, be prepared to spell out the next step if you have received a favorable decision. It is advisable to have copies of a concise written report of your proposal for everyone present.

It is not easy to sell an idea—particularly one that calls for radical changes. The top executive jobs in business today are held by men and women who are innovators, who have the ability to think ideas through and the drive and persuasiveness to sell them to others.

END

REPRINTS of "Ten Ways to Sell Your Ideas" may be obtained for 30 cents a copy, \$14 per 100, or \$120 per 1,000 postpaid from *Nation's Business*, 1615 H St., N.W., Washington, D. C. 20006. Please enclose remittance with order.



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EXECUTIVE TRENDS

continued from page 21

If your company buys, sells or leases real estate, here's a tip:

You can enlist services of an outside real estate adviser (on a fee basis) by contacting the American Society of Real Estate Counselors. The counselor will take a look at your situation, let you know the economic impact of real estate decisions on your company.

Even firms which have their own real estate departments are turning to these consultants in growing numbers, according to the ASREC.

In a typical case, a counselor was retained to size up a bank's plans to build a downtown complex of buildings including a hotel. The property expert noted a sizable state tax advantage that would accrue to the bank if it devoted all the land to a new office building. As a result, the initial plan was dropped and the counselor's advice followed.

• • •

If you're planning to take your products into foreign markets you'll find useful hints in "International Markets," a recent marketing report by Lippincott & Margulies, Inc., New York.

The report covers problems from language barriers to responsibilities of "global product managers." (L & M points out that Kellogg's "snap, crackle, pop" becomes "knisper, knasper, knasper" in German.)

Item: Another helpful booklet for companies with foreign business in mind is "Activities of American Chambers of Commerce Abroad." It describes services available to U. S. businessmen who belong to these chambers, including trade leads, advice on overseas agents, data on tariffs. For a copy send 25 cents to Foreign Commerce-Foreign Policy Department, Chamber of Commerce of the United States, 1615 H Street, N.W., Washington, D. C. 20006.

• • •

Sidelight: The business of advising business is humming.

Some 2,500 consulting firms had gross billings of \$650 million last year, up four per cent from 1963. The figure is expected to move even higher in '65.

Full-time management consultants find they face increasing competition from other organizations and individuals. Examples are college professors, banks, management-service divisions of CPA firms.

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EXECUTIVE TRENDS

continued from page 92A

Labor today costs more, of course. But how much more?

Researchers in one company have come up with some yardsticks:

In 1939 the average hourly rate for manufacturing workers was slightly more than 63 cents an hour. They worked an average of 37.7 hours a week and earned \$23.86. Today that average approximates \$2.50 hourly, plus 50 cents an hour in fringe benefits, with a gross weekly income of \$100 for a 40-hour week.

That's a 400 per cent jump. It far exceeds the rise in the cost of living and taxes in the same period.

• • •

A man who knows says he finds no support for current rumors that stock options are a dying form of executive compensation.

He's Dean Rosensteel, head of the Executive Compensation Service of the American Management Association.

His latest surveys of pay practices indicate that, if anything, the use of stock options is increasing among firms of all types and sizes.

Only one company of more than 600 surveyed by AMA said it plans to scrap the stock-option feature of its managerial pay package.

Fifty-eight firms with such provisions said they adopted them in 1964. Some 120 companies reported that they are making revisions in their stock option plans to bring them in line with last year's tax law changes.

Note: Mr. Rosensteel finds a definite trend toward greater use of salary continuation insurance by American firms. These are policies under which permanently disabled employees continue to receive their salary.

• • •

If you plan a job hunt soon, give serious thought now to obstacles you could face.

If you have been in the same job a long time this can look bad to a prospective employer. To offset this, emphasize breadth and variety in your work experience.

If your years appear to be greater than your responsibilities, it can mean trouble. But many firms are looking for seasoned managers. Here's a chance to play up your stability and dependability.

If you've changed jobs a lot, be sure to explain in full why.

FREE ENTERPRISE

continued from page 40

vine-hung, tree-shrouded hairpin turns of a jungle river to emerge onto a scene that is a mixture of Iowa dairy farm, Midwest college town and test track for mechanical giants.

Such a place is Moengo. To translate the resources of this area into aluminum products on store shelves has called forth corporate excursions by Alcoa far from its central purpose of mining: into cattle breeding to supply milk for local workers' babies, into building playgrounds and schools and into building a whole town—from fire plugs to churches—where once there was scarcely a thatched hut.

Today in Moengo there is even a supermarket for the wives of bulldozer drivers, some of whose initial experience with locomotion was paddling a dugout.

In recent months at a remote place called Brokopondo, Alcoa has put still more diverse and expensive corporate efforts into the latest joint venture with the Surinam government—the building of a dam to convert the flow of a jungle river into harnessed electric power, an aluminum smelter to use that power and a bauxite refining plant which will supply alumina to the smelter.

In this one project alone Alcoa has bet over \$150 million on the free enterprising Surinamers.

Because of Surinam's ties with Holland, the aluminum will have free entry into the European Common Market.

And the Surinamers are going ahead with diverse plans for using their share of the electricity, native aluminum metal, vast timber resources and the great national resource—scenery.

They are proud of their modern new tourist hotel in Paramaribo, as well as of some bush motels in the jungle to which guests can fly, thanks to another economic development venture.

No handouts wanted

Surinamers are not found on foreign doorsteps seeking handouts, *a la* Jagan. They went to Puerto Rico to see how that island's self-help program, Operation Bootstrap, worked. In fact, they borrowed its mastermind, Teodoro Moscoso, to come down and show them. And they showed him how they have reclaimed huge tracts from the swamps for highly mechanized

rice-growing additions to their food supply.

Jagan went to Cuba instead to trade his country's rice to Castro for guns to shoot his political enemies.

While the Surinamers grow accustomed to the big-machinery approach to contending with their big jungle (even though the Stone Age still exists, in the depths of the bush), they greatly respect—and eagerly master—modern tools, from outboards to airplanes.

With the jungle a constant adversary, as well as a storehouse of potential wealth, this attitude of respect for tool-power extends from hinterland tribal chiefs to government ministers.

Thus an early grant from the United Nations special fund went immediately into Operations Grasshopper which included an aerial survey by planes carrying electronic gear to detect what unknown potentials might lie under the vast rain forest which covers four fifths of the nation.

One discovery was a huge new and heretofore unknown bauxite deposit. Again, the work was done by an American company, Aero Service Corp., of Philadelphia, a division of Litton Industries.

Tale of two countries

More than one visitor, even before the destructive Jagan era, has wondered why Surinam has outstripped British Guiana in their relatively other-things-equal contest with natural opportunities. Big mining companies and parent governments have poured substantial capital into British Guiana, too.

And the huge sums France poured into French Guiana's Devil's Island and related on-shore prison facilities was probably the biggest single outlay in the Guianas before the Brokopondo dam.

Some of the difference is that the capital inflow to British and French Guiana has been of the patrimony type, not conducive to the growth of native small enterprise while local capital is scarce.

Surinam, on the other hand, had an early bank and many local people sought seed money from it to develop their own enterprises. Today a key objective of the government is a construction bank. The new buildings of two Dutch banks have a permanent look about them. They help with working knowledge and plans as well as working capital.

The basic investment in literacy, sanitation, codified laws and rudimentary

self-help economics are the girders on which Surinam's free enterprise economy is building.

The first Henry Ford and John D. Rockefeller were early visitors to Surinam, and the people liked their ideas for building things from scratch. Mr. Ford wanted to build a road through the jungle to the Amazon.

Now that the first leg of the road leads south to the new dam, past the big jetport in the bush, local shop talk dwells on plans for another dam and more road links stretching farther into the greatest empty land mass in the Western Hemisphere.

Surinamers welcome all visitors, but the men getting off company planes identified with any phase of construction or carrying baggage marked LeTourneau, or Caterpillar, for example, cause the most stir.

The Surinamers have a full-blown case of what Jefferson called "that disease of freedom."

Yet, rather than a fever of revolution, Surinam's freedom symptoms are a healthy political excitement. It is progressing steadily toward prosperity through democracy and free enterprise. **END**



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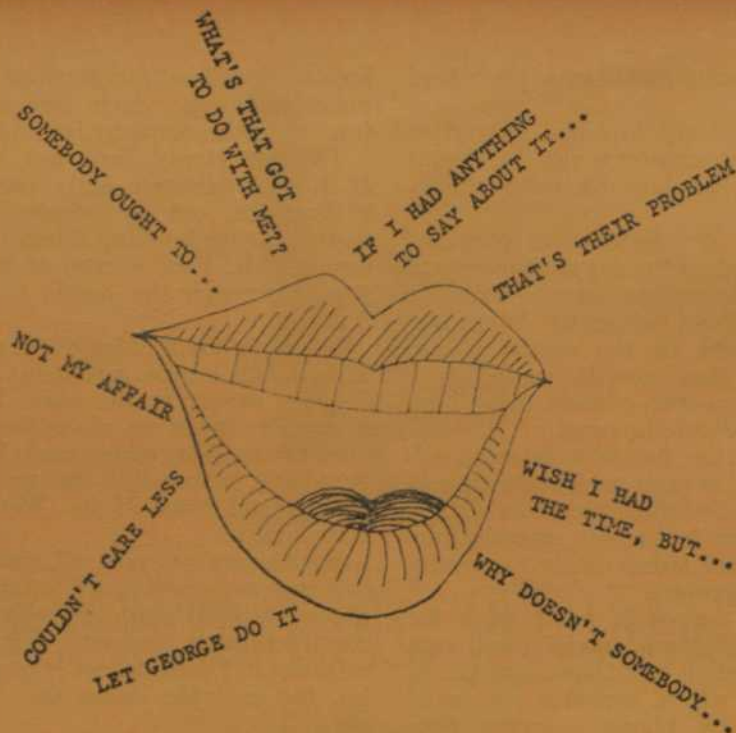
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Watch your language!!

Back in grammar school I guess most of us struggled with such words as "shall" and "will," "can" and "may," "ought" and "should." Once we realized the differences, of course, using them properly became easier. But even today there are still a few words many of us need to practice using.

How often have you heard one businessman refer to the others in town with "they," "their" or "them"? Naturally, he's usually correct, but sometimes he can be dead wrong! For instance, it's *we*—not *they*—who are the "business community"; it's *our* prosperity—not *theirs*—that depends on forward-looking community action and planning; it's to *us*—not to *them*—the later benefits will fall.

A good place to see how this works is at your local Chamber of Commerce. There, with other businessmen of your community, you'll discover what you have in common and what mutual goals you both can attain through united, voluntary action.

Make a note to visit your Chamber this week. We'll be expecting you!



PETE PROGRESS

Speaking for the local chamber of commerce in your community

WELFARE FRAUDS

continued from page 39

pendent children after he was injured on the job. When he received an insurance settlement, he used the money to buy a new air-conditioned car and a portable vacuum cleaner with a long cord to clean the auto.

Neighbors called Mrs. Head when they saw his name listed in the paper. He drove his car out of the state after the welfare department filed suit to recover the money it had paid him.

Jobholders on relief

Publishing the relief rolls has uncovered a number of cases in which welfare recipients have failed to report jobs paying them enough to be dropped from the rolls or have their allotments cut. When the list was first published some county residents found that their domestic and yard workers were receiving welfare checks.

A mother with five or six children who receive no support from their father can draw as much as \$180 monthly in AFDC payments in New Mexico. The welfare office sets a figure for the family's minimum budgetary needs. If she works and her earnings added to her AFDC check total more than this figure, the difference is deducted from her welfare payment. The temptation to conceal such earnings is strong.

It was even stronger under the state regulations which prevailed until two years ago requiring that all earnings be deducted from welfare payments.

One woman got in touch with Mrs. Head to report her sister and sister's husband, who lived in a nearby town. The husband was receiving payments for disability and the family also drew AFDC checks. Her sister's family, she said, boasted a higher living standard than her own and often talked about making new purchases.

It turned out that the husband was making money as a junk dealer and hiding his income from welfare workers.

Law officers come in frequent contact with the seamy aspects of welfare. Les C. Villers, the county's chief juvenile probation officer, says:

"Some people on welfare will work part time but are very careful not to work too much. A number would rather stay on welfare than work at all. There also are women who will have several illegit-



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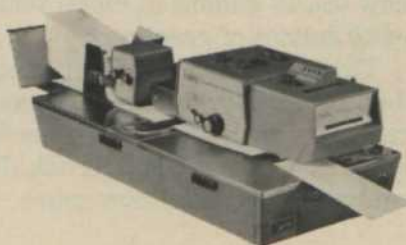
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WELFARE FRAUDS

continued

imate children just to increase their AFDC payments."

Pat H. Thames, juvenile probation officer at Hobbs, agrees:

"Many women on AFDC don't take care of their children. They don't really seem to want children except to get welfare payments."

Judge Nash says:

"There's no question but what we have a serious problem in abuse of the welfare program. I see it mostly in what seems to be an indiscriminate birth rate in families that can't even take care of themselves but continue to have more children. What's more, many people on welfare could be earning a good living but won't.

"There are welfare recipients who drive a newer model car than I do." The judge has a 1960 Oldsmobile and 1957 Dodge. He adds:

"Responsible leaders in the county—a great majority, if not all—are very concerned about the program. They feel that it needs to be slowed down."

What businessmen say

What do some of the local leaders have to say? Listen to Winford Carlile, president of the Lovington National Bank at the nearby county seat:

"I'm behind Mrs. Head one hundred per cent. The situation's completely out of hand. Unless a person is incapacitated physically or mentally, there are jobs for them in this county.

"Farmers are looking for laborers and having trouble finding them. There's a shortage of people who'll do yard work.

"For years the government has pushed these programs. It seems to be making the point that the government wants to help you—not that you need to help yourself.

"We need to put some kind of teeth in welfare legislation. I'm all in favor of helping people who need it, but there should be a stronger penalty for those who take money they're not entitled to. It's the same as stealing."

J. B. Tidwell, owner of a Hobbs automobile dealership, comments:

"Mrs. Head has raised her voice in a matter where everybody else has failed to speak up. I agree with her completely on this. I was a case worker in Hobbs under the old WPA, and in those days we were trying to help people to help themselves. Now it looks like we're try-



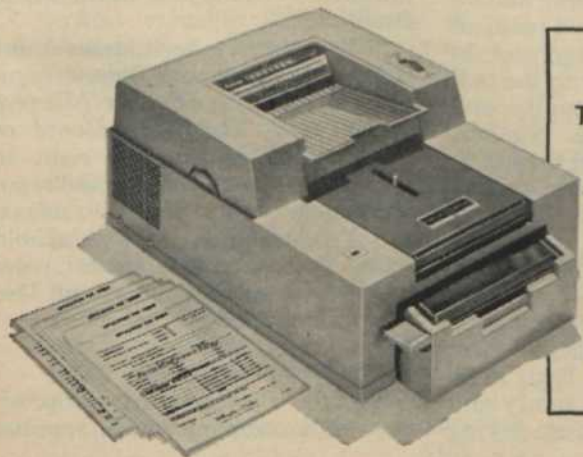
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WELFARE FRAUDS

continued

ing to make people dependent on the government."

Walter T. Linam, an electrical contractor and senior member of the Hobbs City Commission, the town's governing body, asserts:

"The entire welfare program has broken down into a chiseling monstrosity. It encourages people to sit back and let Uncle Sam take care of them. Hobbs is not unique in having this problem."

"Welfare is a problem all over the country," points out Ben Alexander, president of an oil-well servicing company. "Centralization of government in Washington and the growth of government power has produced an inclination in too many communities just not to bother about such things."

"It's not the fault of the welfare workers," argues George Mansur, vice president of the First National Bank of Hobbs. "They just try to administer the law as it's written."

"Lea County has one of the highest average per capita incomes in the state. Our economy is good. Any able-bodied person who wants work can go out and get a job. One of the biggest problems of the oil-field service companies in recent years has been finding laborers."

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"A lot of people are getting to feel sort of like somebody owes them a living," notes John Easley, who has lived in Lea County since 1906. His weathered face, broad-brimmed hat and boots identify him as a rancher. He also is a member of the County Board of Commissioners and board chairman of the Lovington National Bank.

"People raised in this part of the country have had to work—trying to get ahead is part of life. A number of people in this county are worth more than a million dollars, but they're still hard at work."

"It's difficult to get ranch and farm workers because of the welfare program. We can pay 80 cents to \$1.25 an hour, but some people on welfare are getting what amounts to more than a dollar an hour for just sitting. We have to take care of our old people and the handicapped, but there are too many others on the rolls that could work."

"People in the government depend on welfare recipients for votes. They seem to be trying to get as many as they can on the rolls."

New Mexico welfare officials agree that cheating by welfare recipients is a problem there, as it is elsewhere.

"As long as there are people, we will have individuals who will misuse the welfare program," says Leo T. Murphy, director of the New Mexico Department of Public Welfare. "Our problem lies in cutting down our case load per welfare worker so we can keep a better account. All we can do is to investigate abuses, scrutinize and follow up all leads."

"For 30 years our philosophy on welfare in this country was to give people money and push them out of sight. Since 1962, however, we have changed to trying to rehabilitate and help them become self-supporting. The only answer is to find these people jobs and fit them into society."

As in a number of states, welfare in New Mexico has been a political football. Whichever party was in power has tried to run with the ball while it had the opportunity and score as many votes as possible. The taxpayer has been on the losing side, however, as the state welfare budget has doubled since 1954.

Washington blocks reform

Despite the fact that welfare reform has come to be regarded as politically dangerous, State Sen. Harold L. Runnels and Rep. Finis L. Heidel, both of Lea County and both Democrats, have been trying

to tighten regulations with the help of some other members of the legislature. Their efforts have been frustrated so far, however, partly by the long arm of the federal government.

"When we try to do something in the state legislature about the welfare situation we're charged with proposing changes that might cause the state to lose its federal grants," Mr. Heidel explains. "The state welfare department sends a copy of our bill to the HEW regional office in Dallas and usually gets back a reply that the bill might be contrary to federal welfare regulations. That kills the bill."

"As the federal government controls more and more things, you have to do it their way or lose federal participating funds," says Mr. Heidel, an attorney who once served on the Washington staff of U. S. Rep. George Mahon of Texas.

"Federal regulations are the big stumbling block—any beneficial change will have to come through the U. S. Congress," he adds.

Columnist Felix Morley analyzes the so-called benefits of federal aid in the light of our real needs in such areas as education, urban renewal and the current effort to help the poor. Turn to page 25.

"The federal government is really stepping into our state legislative process through its regulations on use of federal funds," says Senator Runnels.

"The fact that too many people are willing to accept state and federal help rather than use their own initiative is at the base of the whole situation."

"State welfare regulations must be in conformity with federal regulations," Welfare Director Murphy points out. "The State Board of Public Welfare has the right to formulate its own policies and regulations and put them into effect. But if Washington doesn't uphold them—if they violate federal regulations—we must conform or lose our federal funds."

State inquiry launched

Senator Runnels, who is president of a company which supplies

material for oil drilling, is launching an investigation of the state welfare program by the Legislative Finance Committee, which he heads.

"We hope to establish better guidelines which will enable the Welfare Department to cut its recipient rolls," he says. "We need to go back to greater local responsibility and control."

What is at the root of our blossoming welfare rolls?

A leading Hobbs attorney believes he has the answer:

"When I was a child I was taught to work—that nobody owed me anything unless I earned it. I was also taught that I was a part of our government, and that government would be only as good as I helped to make it.

"Now many people seem to have little initiative and their philosophy is to see how much they can get from the government, as though it were a Santa Claus—something that they're not a part of.

"President Johnson says that everybody is entitled to a decent living, but everybody doesn't want to work equally hard for a living.

"Every one of the 50 states needs a Mrs. Head. That's what would be good for our country's welfare programs." **END**

TEST CREATIVITY

continued from page 83

fully differentiated between creative and noncreative individuals.

One of the most outstanding among these is the Strong Vocational Interest Blank. There are 400 items to which the subject is asked to give his reaction including occupations, school subjects, amusements, hobbies, characteristics of people, and personality traits—a broad range of possible likes and dislikes.

Also valuable is the Study of Values Test, developed by professors Gordon W. Allport, Philip E. Vernon and Gardner Lindsey. It consists of 45 items which measure the relative dominance of six basic interests or motives: theoretical, economic, aesthetic, social, political and religious.

The test has proved helpful in the identification of creative individuals, who tend to make highest scores on the theoretical and aesthetic scales and lower scores than the average on the political, economic, social and religious scales.

END

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Expert views credit bill

By William F. Kelly, President, The First Pennsylvania Banking and Trust Company, Philadelphia, and immediate past president, The American Bankers Association



AS THE NEW PHYSICIAN goes into the world to heal, he is admonished: "Do no harm!" This ancient instruction recognizes that good intent is no guarantee of benefit.

Most things in this world can be reshaped. Yet we have all known of the improvement that didn't improve.

For this reason, many bankers are less than enthusiastic about the proposed legislation sponsored by Sen. Paul Douglas (D-Ill.) aimed at "improving" installment lending practices.

Senator Douglas contends that a major difficulty in installment lending is the borrower's inability to

compute the loan's simple interest rate. His solution to this problem would be to require the lender to compute this rate and advise the borrower.

As a banker, I share the senator's enthusiasm for full disclosure of borrowing costs, but I shudder at his method. As of December 1964, this nation's commercial banks had nearly \$24 billion outstanding in installment credit. Since installment loans are small loans, this volume represents millions of individual transactions. Add to this total of bank loans the mass of installment sales contracts handled directly by retailers and other

agencies and you will see the tremendous size of the task generated by any major change in the method of handling such transactions.

Any legislative requirement that adds a complex and burdensome computation should be viewed with caution. The truth is that computing a simple interest rate for many commonly used bank credit transactions can be complex. And to extend this same requirement to retail charge accounts and other financing arrangements would place an inhibiting burden on financing retail trade.

As an experiment, several mathematics professors recently were asked to compute the effective rate of interest charged on a loan of \$1,000 when a total of \$1,060 is repaid in 12 equal monthly installments. Seven approaches to the problem resulted in seven different answers, ranging from 11.07 per cent per annum to 12.45 per cent. One of the answers was an equation requiring a handbook of interest tables for translation into simple interest.

There is a sound alternative to the proposed annual interest requirement. It is the full disclosure in dollar amounts of charges on installment credit transactions. Such a policy was first urged by the American Bankers Association 24 years ago. It is the one guiding most of its members today. The method is simplicity itself. Borrowers easily comprehend such charges and can quickly compare those of one lender to those of a competitor.

The truth is that the consumer is in far less need of simple annual interest quotations than Senator Douglas would have us believe. Congressional hearings on this subject have clearly shown that the solution is greater consumer awareness of his own financial condition and the effect upon it of further credit use.

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CREDIT BILL

continued

the consumer with a simple annual interest rate unless he knows what to do with the information. Those who overextend their credit do so most often because they lack the ability to discern when the use of credit changes from boon to burden. This fault will yield only to improved economic education, not interest rate tags on installment contracts.

Another fault in Senator Douglas' proposed legislation is that it would inject federal authority into an area historically controlled by the states. More than two thirds of the states now have laws which require the disclosure of finance charges to borrowers, and there has been an increasing tendency among legislatures to improve existing regulation. In fact, legislation in many states includes important elements of disclosure not present in the Douglas bill.

Moreover, a movement is under way to align and improve state consumer credit laws. The National Conference of Commissioners of Uniform State Laws plans to survey the entire field of consumer credit and draft uniform model state legislation.

The legislation is expected to cover credit charge disclosure, methods of credit regulation, credit advertising, and the extent of legislative control in relation to the play of competitive forces.

Bankers have supported this effort with contributions totaling \$50,000.

Lengthy dispute over the proposed federal legislation may lead to a widespread impression that the disagreement is technical and stems largely from selfish motives. Actually, the converse is true.

Any requirement that installment loans carry a stated simple interest rate could only benefit banks in relation to their competitors.

The central issue is the public interest. Judicious use of installment credit has helped to lift the standard of living of the many to the level once available to only the privileged few. Mass consumer credit has been a key factor in building and sustaining our highly industrialized economy and is essential to its continued growth. It would be a grave error to saddle lenders with regulations that would make the process vastly more cumbersome while not improving its safety at all.

END



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